

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
February 17, 2015

THE STATE OF TEXAS §
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COUNTY OF MONTGOMERY §

The Board of Directors of East Montgomery County Improvement District (the "District") met in Regular Session, open to the public, on the 17th day of February, 2015, at 6:30 p.m., at the East Montgomery County Improvement District Complex, 21575 U.S. Highway 59 North, EMCID Board Room 103, New Caney, Texas, within the boundaries of the District, and the roll was called of the duly elected officers and members of the Board of Directors, to-wit:

Brenda Webb	Chairperson
Dale Martin	Vice Chair
Scott Hesson	Treasurer
Stephen Carlisle	Secretary
Katherine Persson	Asst. Secretary
Martin Zepeda	Asst. Treasurer
Leonard Rogers	Director
Isidor Ybarra, Jr.	Director

with all of said persons being present, thus constituting a quorum.

Also present were Mr. Frank McCrady, Ms. Suzanne Parmer, Ms. Kelley Mattlage, Mr. David Marks, Mr. Joe Costanza, Ms. Kaye Townley, Ms. Kim Courte and others from the community, as shown on the attached sign in sheet.

Chairperson Webb called the meeting to order and announced that a quorum was present.

Director Hesson led in prayer followed by the pledge of allegiance led by Director Zepeda.

As the first order of business, the Board considered comments from members of the audience. Ms. Jodi Ruonavar addressed the Board and advised that a new organization has been formed entitled the EMC Republican Women PAC. She noted that the organization currently has 26 members and invited any interested person to attend the next meeting scheduled from March 3, 2015.

Mr. Kenneth Tann with Multifamily Mission Ministries next addressed the Board and stated the group is interested in developing an 80 acre development in Splendora. He stated the group is requesting that the Board give authority to issue a letter of support for the Ridge Crest Senior Housing development.

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The Board next considered the review and approval of the minutes of the Board of Directors meetings held on January 8, 2015 and January 31, 2015. After review and discussion, Director Ybarra moved that the minutes of the Board of Directors meetings held on January 8, 2015 and January 31, 2015, be approved as written. Director Persson seconded said motion, which unanimously carried.

The Board next considered the presentation of grant checks to MC ESD No. 6 and MC ESD No. 7 as calculated in the audit approved by the Board at its January meeting. Chairperson Webb presented and distributed the grant checks to MC ESD No. 6 and MC ESD No. 7.

The Board next considered the execution of a Grant Agreement with Splendor Area Softball Association ("SASA") and presentation of the Community Development Grant checks to SASA and to the Community Chamber of Commerce ("CCC"). In that regard, Chairperson Webb executed the Grant Agreement with SASA and distributed the grant checks to SASA and to the CCC.

The Board next considered the approval of an amendment to the Grant Agreement by and between the District and Montgomery County Constables ("MCC"). Mr. Welch addressed the Board and reviewed the change to the camera proposal and the additional costs associated therewith. After discussion, Director Carlisle made a motion to approve the amended grant request to MCC, as set out above and the First Amendment to Agreement relative to same. Director Ybarra seconded said motion, which unanimously carried. Chairperson Webb then executed the First Amendment to Agreement with MCC and distributed the grant check to MCC.

The Board next considered the renewal of the District's insurance coverage for term expiring March 31, 2015. Ms. Courte distributed and reviewed the attached renewal proposals from HighPoint Insurance Group, LLC ("HighPoint") relative to property, comprehensive boiler and machinery, commercial general liability and hired car and non-ownership automobile liability, pollution liability, directors and officers liability, umbrella, public employee blanket crime, directors position schedule bond, worker's compensation, business travel, and agent fee coverage scheduled to expire on March 31, 2016, copies of which are attached. She noted the \$690.00 premium increase is due to the property value increase. After discussion on the matter, Director Persson moved that the renewal proposal from HighPoint for all coverages set out above be approved, and that the Chairperson be authorized to execute same on behalf of the Board and District. Director Hesson seconded said motion, which unanimously carried.

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The Board next considered the financial, bookkeeping, cash flow and investment reports, and authorizing the payment of invoices presented or as reflected in said reports. In connection therewith, Ms. Townley presented the financial and investments reports, copies of which are attached hereto, and discussed the invoices for payment. Following review, Director Rogers moved that said reports be approved as presented and that payment of invoices be authorized on the Operating Fund being check nos. 11743 and 11745 through 11835, inclusive, with check no. 11781 being voided, three (3) wire transfers and debits for payroll, and on the Special Events Account being check nos. 2404 and 2406, as set forth on the attached reports. Director Ybarra seconded said motion, which unanimously carried.

Mr. Marks next advised the Board that requirements in the Public Funds Investment Act require the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. In that regard, he reviewed with the Board a Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto as Exhibit "A". Mr. Marks recommended to the Board that if any of the directors have a relationship with any of the institutions shown on the list that could create a conflict of interest, then that institution(s) should be deleted from the list that the Board adopts. After discussion, Director Martin moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board. Director Zepeda seconded said motion, which unanimously carried.

The Board next considered the approval of a Resolution in support for the proposed merger of Montgomery County Emergency Services District No. 7 ("No. 7") and Montgomery County Emergency Services District No. 11 ("No. 11") (the "Resolution"). Mr. McCrady reviewed the Resolution with the Board. After discussion, Director Carlisle made a motion that the Board approve the Resolution in support of the proposed merger of No. 7 and No. 11. Director Zepeda seconded said motion, which unanimously carried.

The Board next considered the following announcements:

Director Zepeda presented t-shirts in appreciation for the support of the scholarship fundraiser.

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Director Webb noted that Congressman Metcalf is the youngest serving congressman.

Director Carlisle reported that he has been elected the local Shiner's President and that a fundraiser will be held on March 3, 2015, at IHOP in Porter.

Mr. McCrady next introduced Tara Martin, and noted she will be taking Suzanne Parmer's place after she retires.

Director Zepeda stated that the Go Texas bus trip is scheduled for March 11, 2015.

Director Webb stated that the CCC will be traveling to Austin on March 24, 2015.

Director Persson stated that a dedication of the James Surls sculpture will be at Kingwood College on February 24, 2015.

The Board next recessed to Executive Session at 7:05 p.m. to discuss real property matters pursuant to §551.072, Texas Government Code, pending or contemplated litigation pursuant to §551.071, Texas Government Code, matters in which the duty of the attorney to the District under the Texas Disciplinary Rules of Professional Conduct of the State Bar of Texas clearly conflict with Chapter 551, Texas Government Code, pursuant to §551.071, Texas Government Code, and Economic Development negotiations pursuant to §551.087, Texas Government Code. The Board returned from Executive Session at 9:04 p.m.

The Board next considered the status of development of the District's 12.85 acre site, including the construction of improvements, the leasing of space in the District's office building and the status of the possible condemnation of District property by TxDOT for the Grand Parkway development. In that regard, Mr. McCrady stated he had nothing new to report.

The Board next considered the approval of a contract with condemnation attorneys relative to property being taken for a water line easement. Mr. Marks presented and reviewed the proposal received from Charles B. McFarland of McFarland PLLC and noted that the terms are the same as the previously executed agreement relate to the TxDot condemnation. After discussion, Director Martin made a motion to approve the proposal from McFarland PLLC, as presented. Director Hesson seconded said motion, which unanimously carried.

The Board next considered a report on activities within the Industrial Park, including the status of sale of dirt out of future detention pond and the status of the contract with TDG for excavation and delivery of said dirt. In connection therewith, Mr. McCrady reported that the landowner appears to be almost ready to start purchasing said dirt.

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The Board next considered the review of bids and award of a contract for the construction of roads to serve Section 3. Mr. Costanza stated that JAC received two (2) bids, with the low alternate bid being submitted by Quadvest Construction, LP (“Quadvest”), in the amount of \$523,697.29 to use crushed concrete, and recommended the Board award the contract to Quadvest. After discussion on the matter, Director Persson made a motion that the Board award the contract to the low bidder, as set out above. Director Marin seconded said motion, which unanimously carried.

The Board next deferred the approval of plans and specifications and authorization to advertise for bids for the construction of roads to serve Section 4, after Mr. Costanza stated that JAC will submit the plans to Montgomery County for approval in mid July 2015.

The Board next considered the status of a plat of Section 3 and 4. Mr. Costanza reported that JAC will re-submit the plat to Montgomery County for final review and approval next week.

The Board next considered the review of bids and award of a contract for construction of wastewater lift station. Mr. Costanza reported that JAC received eight (8) bids, with the low bid being submitted by Quadvest, in the amount of \$221,375.00, and recommended that the Board award the contract to Quadvest. After discussion on the matter, Director Persson made a motion that the Board award the contract to the low bidder, as set out above. Director Carlisle seconded said motion, which unanimously carried.

The Board next considered the review of bids and award of a contract for construction of the sanitary sewer and water facilities to serve Industrial Park, Section 3. Mr. Costanza reported that JAC received five (5) bids, with the low bid being submitted by Quadvest, in the amount of \$590,459.30, and recommended the Board award the contract to Quadvest. After discussion on the matter, Director Martin made a motion that the Board award the contract to the low bidder, as set out above. Director Carlisle seconded said motion, which unanimously carried.

The Board next considered authorizing the advancement of funds to East Montgomery County Municipal Utility District No. 3 (“EMC 3”) for construction of drainage and detention facilities to serve the Industrial Park, Sections 3 and 4. Mr. Costanza reported that JAC received four (4) bids, with the low bid being submitted by Rebel Contractors, Inc. (“Rebel”), in the amount of \$2,643,350.85, and noted that he will recommend to EMC 3 to award the contract to Rebel. Mr. McCrady noted that the District only needs to fund \$770,595.00 to EMC 3 to pay the difference between the contract amount and the proceeds from the sale of EMC 3’s Bond Anticipation Note.

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After discussion on the matter, Director Persson made a motion to authorize the advancement of funds to EMC 3, as set out above. Director Ybarra seconded said motion, which unanimously carried.

The Board next deferred the status of a Purchase and Sale Agreement relative to the sale of a 5 acre tract to Jenista Holdings, LLC (Polar Rig Specialists, Inc.). Mr. McCrady stated he had nothing new to report and recommended the item be removed from the agenda. The Board concurred with Mr. McCrady's recommendation.

The Board next considered the status of an Incentive Agreement and a Purchase and Sale Agreement relative to the purchase of a 20 acre site by Command Energy ("Command"). Mr. McCrady reported that Command has a new CEO and that he will be discussing the closing timeline and other matters with the new CEO.

The Board next considered the status of the District's exercise of option to purchase a 6 acre tract by Keysteel. Mr. McCrady reported that the transaction has closed.

The Board next deferred the status of an Incentive Agreement and a Purchase and Sale Agreement relative to the Keysteel expansion project.

The Board next considered the approval of an Incentive Agreement and Purchase and Sale Agreement relative to the sale of a 3 acre site to a nutraceutical company, including authorizing the President, Chairman and District consultants to take any actions required to close the transaction. After discussion, Director Martin made a motion to approve an Incentive Agreement and Purchase and Sale Agreement relative to the sale of the 3 acre site and authorizing the President, Chairman and District consultants to take any actions required to close the transaction, subject to the company providing evidence that it has obtained the required financing within the next six (6) months. Director Zepeda seconded said motion, which unanimously carried.

The Board next considered the review of procedure for advertising construction contracts for bids. After discussion, Director Carlisle made a motion that the District advertise in *The Conroe Courier* and in the local *Observer*, and if necessary in *The Houston Chronicle* for projects over \$50,000, and for projects under \$50,000 to authorize the engineer to solicit bids from qualified contractors, including qualified local contractors. Director Hesson seconded said motion, which unanimously carried.

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The Board next considered authorizing additional travel by directors in connection with business recruiting on behalf of the District. Mr. McCrady advised that the District has 15 Director travel slots for the remaining shows, and that there are 7 slots out of the originally authorized 16 slots left available. After discussion, Director Persson made a motion to authorize an additional 8 director travel slots for the 2015 fiscal year, and to authorize the allocation of the remaining 7 travel slots as Mr. McCrady determines. Director Rogers seconded said motion, which carried, with Directors Hesson, Martin and Carlisle being opposed.

The Board next considered the engagement of a consultant to perform a demographic study on the placement of a splash pad park within the District. After discussion, Director Rogers made a motion to engage LDP to perform a demographic study, as set out above. Director Carlisle seconded said motion, which unanimously carried.

The Board next considered the status of an Incentive Agreement relative to the construction of Taco Cabana within the District. Mr. McCrady stated that construction of the Taco Cabana has begun, but he has not yet reviewed the executed Agreement from Taco Cabana.

The Board next considered the status of an Incentive Agreement relative to the construction of Pollo Tropical within the District. Mr. McCrady stated that construction of the Pollo Tropical has begun, but he has not yet reviewed the executed Agreement from Pollo Tropical.

The Board next considered the approval of an Incentive Letter regarding Grand Texas and to authorize the preparation of contracts relative to the incentives set forth therein. Mr. McCrady reviewed same with the Board. After discussion, Director Martin made a motion to approve the Incentive Letter, with the addition of language explaining that the commitment is subject to detailed agreements which will contain conditions and terms relating to the payment of the grants, and to authorize the preparation of contracts in connection therewith. Director Persson seconded said motion, which unanimously carried.

The Board next deferred the approval of a development agreement with Jefco Development Corp. and a sponsor agreement with TxDOT regarding construction of drainage and detention facilities for the retail center and expansion of Loop 494, after Mr. McCrady stated he had nothing new to report.

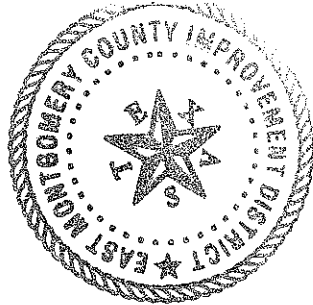
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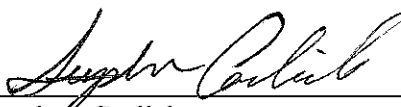
The Board next considered the review of procedure for hiring and reviewing professional contracts. Mr. McCrady discussed the procedure or rotation cycle for reviewing District vendors and consultants, and noted that consultant contracts can be reviewed any time. After discussion, Director Carlisle made a motion to review professional services contracts once every three (3) years, as scheduled by Mr. McCrady. Director Hesson seconded said motion, which failed, with Directors Hesson, Carlisle, Martin and Webb being in favor and Directors Persson, Rogers, Ybarra and Zepeda being opposed. The Board determined to take no further action.

The Board next considered the following matters for possible placement on future agendas.

There being no further business to come before the Board of Directors, the meeting was adjourned.

(SEAL)





Stephen Carlisle
Secretary, Board of Directors