

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT

June 20, 2017

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 20th day of June, 2017, at 6:00 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 following officers and members of the Board of Directors were present:

Brenda Webb	Chairperson
Dale Martin	Vice Chair
Scott Hesson	Treasurer
Stephen Carlisle	Secretary
Katherine Persson	Asst. Secretary
Martin Zepeda	Asst. Treasurer
Leonard Rogers	Director
Fred Wetz	Director

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

Also present were Mr. Frank McCrady, Ms. Kelley Matlage, Ms. Tara Martin, Mr. David Marks, Mr. Joe Costanza, Ms. Kaye Townley, Mr. Eric Gonzales and others from the community, as shown on the attached sign in sheet.

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

Mr. Lino led in prayer followed by the pledges of allegiance led by Girl Scout Troop 116007.

As the first order of business, the Board considered the execution of Grant Agreements and the presentation of Community Development Grants. Chairperson Webb executed the Grant Agreements and presented the grant checks to American Legion Holbrook Post 615, American Legion Auxiliary Unit 615, City of Woodbranch Village Police Department, Girl Scout Troop 116007, Montgomery County Youth Services, Roman Forest Police Department and The Women's Center, Lone Star College-Kingwood.

The Board next considered comments from members of the audience. Ms. Boules addressed the Board and stated that she will be developing a new senior living/skilled nursing center in Splendora.

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The Board next considered the review and approval of the minutes of the Board of Directors meeting held on May 11, 2017. After review and discussion, Director Rogers moved to approve the minutes of the Board of Directors meeting held on May 11, 2017, as written. Director Wetz seconded the motion, which unanimously carried.

The Board next considered the award of an economic grant to Jacques Verron d/b/a Rocking Horse Daycare ("Rocking Horse"). Mr. McCrady reported that Rocking Horse is requesting an economic grant in the amount of \$15,000 for the installation of new signage at its Porter location at Partners Way and FM 1314. He stated that Rocking Horse has also committed to hire four (4) new employees over the next year and presented the executed Form 1295 from Rocking Horse for the Board's review. After discussion, Director Hesson moved to approve the economic grant with Rocking Horse and to authorize MRPC to prepare the necessary Grant Agreement. Director Martin seconded the motion, which unanimously carried.

The Board next considered the award of an economic grant to Speedsportz Racing Park, LLC at Grand Texas ("Speedsportz"). Mr. McCrady reported that Speedsportz is requesting an economic grant in the amount of \$18,000 for the installation of new signage at the racing park located on State Highway 242 across from Grand Texas. He stated that Speedsportz has also committed to hire two (2) new employees over the next year and presented the executed Form 1295 from Speedsportz for the Board's review. After discussion, Director Wetz moved to approve the economic grant with Speedsportz and to authorize MRPC to prepare the necessary Grant Agreement. Director Rogers seconded the motion, which unanimously carried.

The Board next considered a presentation by Creed Development relating to Gigabit City REIT ("REIT") business model. Mr. Sims, Mr. Huston, Mr. Hadala and Mr. Creed with Creed Development addressed the Board and discussed the REIT business model and how it is designed to provide broadband service to underserved areas. They stated that the REIT would like to create a partnership with the District and will use its equity to build a fiber network in specific areas directed by the District. Mr. Creed stated if the District proceeds, there will be a six (6) month investigation period that would culminate in a Memorandum of Intent between Creed Development and the District on how to move forward with the project.

The Board next considered the engagement of an auditor to prepare the District's audit report for the fiscal year ending June 30, 2017. Mr. Gonzalez presented to the Board an engagement letter from McCall Gibson Swedlund Barfoot PLLC ("McCall") and stated that the projected fees to prepare the District's audit are estimated at \$15,500 to \$16,500. He then stated

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that the projected fees to prepare the audit reports for the East Montgomery County Improvement District Economic Development Zone Nos. 1, 2, 3, and 4 (the "Zones") are estimated at \$1,500 to \$2,000 for each Zone and presented the executed Form 1295 for the Board's review. After discussion on the matter, a motion was made by Director Zepeda and seconded by Director Wetz, which unanimously carried, that the Board engage McCall to prepare the District's audit report and the audit reports for the Zones for the fiscal year ending June 30, 2017.

The Board next considered the review and approval of the Report on Applying Agreed-Upon Procedures to Sales Tax Calculations to Comply with Agreements with Montgomery County Emergency Services District No. 6 ("ESD 6") and Montgomery County Emergency Services District No. 7 ("ESD 7"). Mr. Gonzales presented and reviewed the attached draft report with the Board. He stated that as of June 20, 2017, the sales tax revenue owed by EMCID to ESD 6 totals \$392,366.60 and the sales tax revenue owed by EMCID to ESD 7 totals \$120,114.93. After discussion on the matter, Director Martin made a motion to approve the Report and the payments of the amounts owed to ESD 6 and ESD 7, as presented. Director Hesson seconded the motion, which unanimously carried.

The Board next considered the financial, bookkeeping, cash flow and investment reports, and authorizing the payment of invoices presented as reflected in said reports. Ms. Townley presented the attached financial and investments reports, and discussed the invoices presented for payment. Following review, Director Zepeda made a motion to approve said reports as presented and to authorize payment of invoices on the Operating Fund being check nos. 14058, 14133, 14152 and 14159 through 14310, inclusive, with check nos. 14058, 14133, 14151, 14159, 14181, and 14204 being voided, nine (9) wire transfers and debits for payroll, and on the Special Events Fund being check nos. 2527 through 2531, inclusive, as set forth on the attached reports. Director Hesson seconded the motion, which unanimously carried.

The Board next considered the approval of a Resolution Appointing Members of the Architectural Control Committee ("ACC"). Mr. McCrady discussed the attached Resolution and noted that the ACC will now be composed of the following three (3) individuals, including Mr. McCrady, Director Webb and Director Rogers. He further stated that the Resolution designates Mr. Marks and Mr. Costanza to serve as non-voting ex officio members of the ACC. After discussion, Director Hesson made a motion to approve the Resolution, as set out above. Director Wetz seconded the motion, which unanimously carried.

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The Board next considered the following announcements, including a thank you note received from the Montgomery County Fair.

The Board next recessed to Executive Session at 6:58 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, personnel matters pursuant to §551.074, Texas Government Code and Economic Development negotiations pursuant to §551.087, Texas Government Code. The Board returned from Executive Session at 10:04 p.m.

The Board next considered the status of development of the District's 12.85-acre site, including the construction of improvements and the leasing of space in the District's office building. Mr. McCrady stated that he had nothing new to report.

The Board next considered the status of design of the new District building, including engagement of appraiser for appraisal of proposed building sites. Mr. McCrady reviewed the engagement letter received by Bolton, Baer & White, LLC ("BBW") and presented the executed Form 1295 for the Board's review. After discussion, Director Wetz made a motion that the Board engage BBW to prepare an appraisal of the proposed building sites. Director Zepeda seconded the motion, which unanimously carried.

The Board next considered a report on activities within the Industrial Park, including the status of the sale of dirt excavated from the future detention pond site and the status of the contract with TDG for excavation and delivery of said dirt. Mr. Costanza reported that E-Controls purchased approximately 700 cubic yards of dirt during the month.

The Board next considered the status of the contract with Texas Dirt LLC ("TD") for construction of the second phase of the regional detention basin. Mr. Costanza reported that the project is scheduled to be completed within the next thirty (30) days, weather permitting. He then presented pay application no. 1, in the amount of \$216,684.00, and recommended that the Board approve the payment of same. After discussion, Director Martin moved that the Board approve the payment of pay application no. 1, as set out above. Director Carlisle seconded the motion, which unanimously carried.

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The Board next considered the status of the contract with Quadvest Construction, LP (“Quadvest”) for construction of roads to serve Section 3. Mr. Costanza reported that the roads have been installed and that Montgomery County has deemed the roads acceptable. Mr. Costanza then presented pay application no. 3, in the amount of \$220,844.58, and recommended that the Board approve the payment of the pay estimate. After discussion, Director Wetz moved that the Board approve the payment of pay application no. 3, as set out above. Director Zepeda seconded the motion, which unanimously carried.

The Board next considered the status of the contract with Clearwater Utilities, Inc. (“Clearwater”) for the construction of water and sanitary sewer facilities to serve Industrial Park, Section 4). Mr. Costanza reported that the project completion is on hold until the detention pond dirt removal is complete. He then presented pay application no. 3, in the amount of \$6,555.00, and recommended the Board approve the payment of same. After discussion, Director Rogers moved that the Board approve the payment of pay application no. 3, as set out above. Director Zepeda seconded the motion, which unanimously carried.

The Board next considered the status of the contract with Angel Brothers for the construction of roads to serve Industrial Park, Section 4. Mr. Costanza reported that the project completion is on hold until the detention pond dirt removal is complete. He then presented pay application no. 1, in the amount of \$113,542.20, and recommended the Board approve the payment of same. After discussion, Director Carlisle moved that the Board concur in the payment of pay application no. 1, as set out above. Director Zepeda seconded the motion, which unanimously carried.

The Board next considered the status of platting Sections 3 and 4. Mr. Costanza reported that the plat is on temporary hold until a prospective landowner makes a decision.

The Board next considered the status of the contract with Quadvest for construction of wastewater lift station. Mr. Costanza reported that the lift station is essentially complete, except for receiving electrical service from Entergy. He stated that the project cannot be finalized until power is received from Entergy.

The Board next considered the status of contract with E&S Construction (“E&S”) for construction of the warehouse building project. Mr. Costanza reported that the offices inside are being worked on and that the site pavement is proceeding. He presented pay estimate no. 7 in the amount of \$36,641.70, and recommended that the Board approve the payment of the pay estimate. After discussion, Director Rogers moved to approve the payment of pay estimate no. 7 to E&S, as

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set out above. Director Hesson seconded the motion, which unanimously carried.

The Board next considered the status of a Purchase and Sale Agreement with Woodland Fluid Power Inc. Mr. McCrady reported that the sale documents are at the title company and the transaction is expected to close on August 1, 2017.

The Board next considered the status of a Purchase and Sale Agreement with Metal Specialties or assignees relative to the purchase of a site in the Industrial Park. Mr. McCrady reported that the Agreement is with their attorney and presented the executed Form 1295 for the Board's review. After discussion, Director Carlisle made a motion to approve the Purchase and Sale Agreement with Metal Specialties or assignees and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property. Director Rogers seconded the motion, which unanimously carried.

The Board next deferred the approval of an incentive agreement with Youtrients, Inc., to authorize the preparation of a Purchase and Sale Agreement relative to the purchase of a site in the Industrial Park, and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property after Mr. McCrady stated he has not received the required Form 1295 from Youtrients.

The Board next deferred the approval of a Conveyance of Utility Facilities for water distribution and wastewater collection facilities to serve Industrial Park, Section 3 (Quadvest) to East Montgomery County MUD No. 3.

The Board next considered the status of construction of the splash pad in the City of Splendor. Mr. Costanza reported that a sign stating that funding for the project was provided by the District and the City of Splendor will be installed at the site this week.

The Board next considered the status of construction of the splash pad site in the City of Roman Forest. Mr. Costanza reported that there have been a few minor issues that are being addressed, but noted that the splash pad is up and running. He noted that a sign stating that funding for the project was provided by the District and the City of Roman Forest has been installed at the site.

The Board next considered the status of a Purchase and Sale Agreement with Kro Energy Products, LLC and James and Betty Edwards Family Partnership LLP ("Kro, et. al.") relative to the purchase of a site in the Industrial Park. Mr. McCrady reported that the agreement is with their attorney and should be ready for approval at the next meeting.

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The Board next considered the status of an incentive agreement with JRA Services LLC dba Hometown Chef Catering Co. ("Hometown Chef") and/or assignees relative to the purchase of a site in the Industrial Park. Mr. McCrady presented the executed Form 1295 and reported that the transaction is scheduled to close tomorrow. After discussion, Director Carlisle made a motion to approve the incentive agreement and Purchase and Sale Agreement with Hometown Chef or assignees and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property. Director Zepeda seconded the motion, which unanimously carried.

The Board next deferred the approval of an incentive agreement with New Directions Aeromatics, Inc. and/or assignees, to authorize the preparation of a Purchase and Sale Agreement relative to the purchase of a site in the Industrial Park, and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property.

The Board next deferred the approval of an incentive agreement with Andrew Fabrication, to authorize the preparation of a Purchase and Sale Agreement relative to the purchase of a site in the Industrial Park, and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property.

The Board next considered the approval of an incentive agreement with Gulf Coast Apparatus Services ("Gulf Coast"). Mr. McCrady presented the executed Form 1295 and recommended the Board approve the incentive agreement. After discussion, Director Martin moved that the Board approve an incentive agreement with Gulf Coast, to authorize the preparation of a Purchase and Sale Agreement consistent therewith and to authorize the President and Chair to take all action and to execute all required documents in connection with the purchase and sale of the property. Director Carlisle seconded the motion, which unanimously carried.

The Board next considered the adoption of an operating budget for the fiscal year ending June 30, 2018. Mr. McCrady reviewed highlights of the draft budget with the Board and noted that the Scholarship line item has been increased. After discussion, Director Martin made a motion to approve the operating budget as presented. Director Carlisle seconded the motion, which unanimously carried.

The Board next deferred a report on activities of the 85th Texas Legislation, including legislation or proposed legislation affecting the District's enabling statute.

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The Board next considered the approval of the destruction of notes of Board of Directors meetings from April 4, 2016 to January 12, 2017, in accordance with the District's Records Retention Schedule for General Records. Mr. Marks presented the attached list of records and advised that the time limitations for retention had passed for all records listed, that, to the best of his knowledge and belief, none of the records' subject matter was pertinent to a pending lawsuit, and that there were no open records requests pending with respect to any of the records. After discussion, Director Carlisle made a motion to authorize the destruction of said notes as requested and in accordance with the provisions of the District's Records Management Program and said Schedule. Director Rogers seconded said motion, which unanimously carried.

The Board next considered the review and approval of the Fourth Amendment to Third Amended and Restated Contract of Employment between the District and Frank McCrady (the "Third Amendment"). After discussion on the matter, Director Carlisle made a motion to amend the Fourth Amended and Restated Contract of Employment between the District and Mr. McCrady, as amended by the First, Second and Third Amendment to such Contract (collectively, the "Contract") and approve the Fourth Amendment to extend Mr. McCrady's term of employment by one (1) additional year and to authorize payment of Discretionary Incentive & Deferred Compensation in the amount of \$15,000. Director Rogers seconded said motion, which unanimously carried.

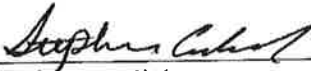
The Board next discussed plans for future festivals. Mr. McCrady reported on the status of upcoming festivals and noted that the Fire & Ice Festival will be held on October 21, 2017.

The Board next discussed the feasibility of raising scholarship amounts to \$1,200-\$1,500. Mr. McCrady stated that the budget reflects funds allocations for higher scholarship amounts and recommended that an analysis of demand be prepared for further discussion at the next meeting.

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

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





Stephen Carlisle
Secretary, Board of Directors