

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
August 26, 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 26th day of August, 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:

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| 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, except Director Martin, thus constituting a quorum.

Also present were Mr. Frank McCrady, Ms. Kelly Mattlage, Ms. Tara Martin, Ms. Kara Richardson, Mr. Joe Costanza, Ms. Kaye Townley, Ms. Virginia Blake 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 Carlisle.

As the first order of business, the Board considered comments from members of the audience. Ms. Mullane addressed the Board and thanked the Board for its consideration in placing a splash pad in Roman Forest. She noted that the City of Roman Forest would take care of the maintenance if selected. Ms. Ruonavar next addressed the Board and noted that several people in the community have asked her why the dates of the EMCID meetings keep changing from the regularly scheduled meeting dates. She stated that she, along with certain members of the community, would like to know the reason for the date changes.

Minutes of East Montgomery County Improvement District for August 26, 2015

The Board next considered the review and approval of the minutes of the Board of Directors meeting held on July 9, 2015. After review and discussion, Director Ybarra made a motion that the minutes of the Board of Directors meeting held on July 9, 2015, be approved as written. Director Rogers seconded said motion, which unanimously carried.

The Board next considered the review and approval of the Report on Applying Agreed-Upon Procedures to Sales Tax Calculations to Comply with Agreements for Montgomery County Emergency Services District No. 6 ("ESD 6") and Montgomery County Emergency Services District No. 7 ("ESD 7"). Ms. Blake presented and reviewed the attached draft report with the Board. She stated that the amount currently due to ESD 6 for sales tax totals \$42,816.06 and the amount currently due to ESD 7 for sales tax totals \$170,130.44. Ms. Blake also noted that the assessed value in ESD No. 7 has reached \$850,000,000 and that, per the agreement between the District and ESD 7, the District will no longer be required to fund the additional \$300,000 grant to ESD 7 each year. Director Carlisle next asked Ms. Blake about the implications of accepting the audit report and whether or not the approval would serve to terminate the obligation of the District to continue to fund the \$300,000 grant to ESD 7. Chairperson Webb explained that the approving the audit report merely allows the District to pay the ESDs the amount represented in the audit. Director Carlisle explained that he did not want to terminate the agreement with ESD 7 because he was in favor of continuing to pay ESD 7 the \$300,000 per year grant. Ms. Richardson explained that approving the audit did not serve to terminate the agreement with ESD 7, but noted that the obligation under the agreement to pay the annual \$300,000 grant had been fulfilled under the terms of the contract. She further explained that the District would need to either amend the contract or enter into a new contract with ESD 7 if the District wanted to continue to make the \$300,000 annual payment. After discussion on the matter, Director Persson made a motion to approve the Report as presented. Director Zepeda seconded said motion, which carried with Director Carlisle being opposed. Director Persson stated that in the future she would like the audit to be emailed at least the day before the meeting.

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. Ms. Townley presented the financial and investments reports, copies of which are attached hereto, and discussed the invoices for payment. Following review, Director Hesson made a motion to approve the reports as presented

Minutes of East Montgomery County Improvement District for August 26, 2015

and to authorize the payment of invoices on the Operating Fund being check nos. 12188 through 12274, inclusive, a wire transfer and debits for payroll, and on the Special Events Fund, being check nos. 2415, 2418, 2419 and 2421 through 2423, as set forth on the attached reports. Director Persson seconded said motion, which unanimously carried.

The Board next considered the following announcements:

Mr. McCrady reported that the District has selected three (3) students for an internship program, with one student being from New Caney High School, one student from Splendora High School and one student from Porter High School. He further noted that the Friendship Center event is scheduled for September 1st from 9:00 a.m. - 2:00 p.m.

Director Hesson stated that he has received a lot of positive feedback from the community related to changes that have been implemented at EMCID since the last election. Director Hesson recognized the District's new website, community newsletter and the hiring of a public information officer as positive steps for EMCID that are being well received in the community. Director Carlisle echoed his sentiment.

Director Persson reported that she attended the event held this morning at Mission Northeast, and stated that it was a truly great event and that she is proud to see how Mission Northeast has utilized its community development grant funds from EMCID.

The Board next recessed to Executive Session at 6:55 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 8:25 p.m.

The Board next deferred the status of modifications to the Development Agreement and the status of preparation of a Second Amended and Restated Economic Development Agreement by and among Sig-Valley Ranch, Ltd., Valley Ranch Town Center, Ltd., East Montgomery County Improvement District Economic Development Zone No. 1 and the District after Mr. McCrady reported that he and Mr. Marks are currently negotiating terms with the State Comptroller and Mr. Signorelli's attorney.

Minutes of East Montgomery County Improvement District for August 26, 2015

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 condemnation of District property by TxDOT for the Grand Parkway development. In that regard, Mr. McCrady stated that a hearing is scheduled for September 17, 2015.

The Board next considered a report on activities within the Industrial Park, including the status of the sale of dirt to be excavated from a future detention pond site and the status of the contract with TDG for the excavation and delivery of said dirt. Mr. McCrady stated that Catalyst Co. would like to purchase dirt from the site. Mr. Costanza advised that the District's one (1) year contract with TDG recently expired without any excavation work performed by TDG. He stated that the District can issue a change order to renew the contract for an additional year on the same terms and conditions as the original contract or the District can rebid the proposed project. He stated that, if the District proceeds with the contract renewal, the District must purchase new payment and performance bonds at a cost of \$6,000 since the initial payment and performance bonds expired contemporaneously with the original contract. Mr. Costanza next discussed the costs involved with rebidding the project, which would include bid solicitation publication costs totaling approximately \$5000, engineering fees associated with the preparation of new plans and specifications, and costs for payment and performance bonds for any new contract awarded. He further noted that if the Board opts to re-bid the project, that it will take several months before any excavation could commence because of the time required for plan preparation and bid advertisement. Director Hesson expressed concerns about potential negative public perception for failure to re-bid the project. Director Webb expressed her concerns relative to the costs associated with rebidding the project, and Director Ybarra expressed his concerns with the time involved with rebidding. After discussion on the matter, Director Persson made a motion to approve change order no. 1 extending the District's contract with TDG for one (1) additional year. Director Ybarra seconded said motion. All remaining directors voted in favor of the motion, with the exception of Director Rogers, who abstained from casting a vote.

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 land is being cleared and, once the ditch is completed, Quadvest will begin construction on the roads.

Minutes of East Montgomery County Improvement District for August 26, 2015

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.

The Board next deferred the status of a plat of Section 3 and 4.

The Board next considered the status of the contract with Quadvest for construction of a wastewater lift station and the status of the contract with Quadvest for construction of the sanitary sewer and water facilities to serve Industrial Park, Section 3. Mr. Costanza reported that the land is being cleared and, once completed, Quadvest will move in and begin construction of the lift station, force main and water and sanitary sewer facilities.

The Board next deferred the status of an Incentive Agreement and a Purchase and Sale Agreement relative to the purchase of a 20 acre site by Command Energy.

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 deferred the status of an Incentive Agreement and Purchase and Sale Agreement relative to the sale of a 3 acre site to a nutraceutical company.

The Board next considered the status of a Purchase and Sale Agreement for the purchase of a 0.828 acre site in the Industrial Park. Mr. McCrady stated the District closed on the purchase of the land and saved the District approximately \$300,000 in construction costs.

The Board next considered the status of preparation of a demographic study by Leisure Development Partners ("LDP"). Mr. McCrady presented and reviewed the attached Splashpad Market Assessment prepared by LDP. He noted that the study looked at 5 market site locations, including Splendor, Roman Forest, Lake Houston Park, EMCID Valley Ranch and Porter. Mr. McCrady reported that, based on parameters previously set by the Board, the market study recommended EMCID Valley Ranch as the primary splashpad site. He noted that the study recommended Splendor or Roman Forest as secondary sites. Director Hesson recommended holding a workshop meeting to discuss and determine the final splashpad site locations.

The Board next deferred the status of an Incentive Agreement with Royal Purple, Saints and Sinners Brewing Company, Splendor 2090 Property, LLC, or its assignees, and Porter Kwik Kar Car Wash LLC or Porter Kwik Kar LLC, or its assignees.

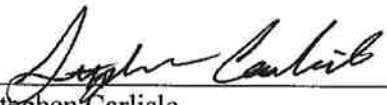
Minutes of East Montgomery County Improvement District for August 26, 2015

The Board next considered the approval of an Incentive Agreement with E-Controls. After discussion on the matter, Director Persson made a motion to approve an Incentive Agreement consisting of a \$7,500 grant to move and for expansion of its current facility including construction of a 10,000 square foot building, with closing to occur in the next 45 days. Director Carlisle seconded said motion, which carried with Director Webb abstaining.

The Board next considered matters for possible placement on future agendas. Mr. McCrady noted that insurance for cyber theft will be on the next agenda for consideration.

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

(SEAL)



Stephen Carlisle
Secretary, Board of Directors