

MINUTES OF REGULAR MEETING  
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT  
February 9, 2012

THE STATE OF TEXAS           §  
  §  
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 9<sup>th</sup> day of February, 2012, at 5:30 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:

Leon Cubillas	Chair
Vickie Thumann	Vice Chair
Linda W. Floyd	Assistant Vice Chair/Treasurer
Susan Warren	Secretary
Connie Bloodworth	Assistant Secretary
Leonard W. Rogers	Director
Fred Wetz	Director
Isidor Ybarra, Jr.	Director

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

Also present were Mr. Frank McCrady, Ms. Suzanne Parmer, Mr. David Marks, Mr. Joe Costanza, Mr. Cory Burton, Ms. Kim Courte, Mr. Chris Brown, Mr. Victor Toledo, Mr. Andy Dill and several others from the community.

The Chair called the meeting to order and announced that a quorum was present. Director Wetz led in prayer followed by the pledge of allegiance led by Director Ybarra.

As the first order of business, the Board considered the calling of a Directors Election to be held on May 12, 2012, and determining of procedure for giving notice of same, and the adoption of an Order in connection therewith, including the appointment of an agent for the District in connection therewith, and the approval of any joint election agreements among the District, Montgomery County and other participating entities as authorized by the Texas Election Code, if necessary. There was presented the Order calling such election to be held on May 12, 2012. It was noted that the terms of office of Directors Cubillas, Warren, Ybarra and Rogers would expire in June 2012. Mr. Marks advised the Board that notice of the election could be given by one or more of the

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following methods: (1) publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before; (2) posting the notice at a public place in the District at least twenty-one (21) days before the election; or (3) mailing the notice to each registered voter in the District at least ten (10) days before the election. Mr. Marks further advised that, in addition to the above, notice must be posted at the location used for posting notices of the meetings at least twenty-one (21) days before the election. Following discussion of the options, it was moved by Director Wetz, seconded by Director Rogers and unanimously carried that the Order Calling the election be adopted, that notice of the election be given by publishing the notice in a newspaper published in the territory of the District or of general circulation in the District at least ten (10) days before the election, but not more than thirty (30) days before, and that the attorneys for the District be authorized to arrange for said notice to be published and posted and, if necessary, authorize the District to enter into any joint election agreements with Montgomery County and other participating entities as authorized by the Texas Election Code.

Mr. Marks next advised the Board that an agent should be appointed to perform election duties in connection with the Directors Election. After discussion on the matter, Director Wetz moved that the Notice of Appointed Agent appointing the law firm of Marks Richardson PC as agent be adopted, that the Chair and Assistant Secretary be authorized to execute the Notice on behalf of the Board and the District, and that the attorneys of the District be instructed to handle the mechanics of said election. Director Rogers seconded said motion which unanimously carried.

The Board next deferred the adoption of policies and procedures related to cancellation of elections after noting same is not required.

The Board considered comments from members of the audience. In connection therewith, Chair Cubillas noted no one had signed up to address the Board.

The Board next executed the previously approved Community Grant Agreements and presented checks to each entity relative to same.

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The Board next considered the approval of the minutes of the Board of Directors meetings held on January 10, 2012, January 11, 2012 and January 12, 2012. After discussion on the matter, Director Ybarra moved that the minutes of the Board of Directors meetings held on January 10, 2012, January 11, 2012 and January 12, 2012, be approved as written. Director Wetz seconded said motion, which unanimously carried.

The Board next considered the financial and investment reports, and authorizing payment of invoices presented. In connection therewith, Mr. Burton presented the financial and investments reports, copies of which are attached hereto, and presented the invoices for payment. Following review, Director Thumann moved that said reports be approved and that payment of invoices be authorized on the Operating Fund being check nos. 9353 through 9416, inclusive; three (3) wire transfers; and debits for payroll, and on the Special Events Fund at Plains State Bank being check no. 2282, as set forth on the attached reports. Director Rogers seconded said motion, which unanimously carried.

The Board next considered the annual review of the District's Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Order") and the adoption of a Resolution relative thereto. In connection therewith, Mr. Marks advised that there are no proposed changes to the Order at this time and recommended that the current Order remain in effect. After discussion on the matter, Director Floyd moved that the attached Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer be adopted, and that the Chairman be authorized to sign and the Assistant Secretary to attest said Resolution on behalf of the Board and District. Director Rogers 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

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discussion, Director Floyd moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board. Director Rogers seconded said motion, which unanimously carried.

The Board next deferred the annual review of a Resolution Adopting Prevailing Wage Rate Scale for Construction Projects until the next meeting.

The Board next deferred the approval of an Amended Record Retention Schedule and authorizing the filing of same with the Texas State Library and Archives Commission until a future meeting.

The Board next considered authorizing the District staff to publish minutes of board of directors meetings on the District's web site. After discussion on the matter, Director Thumann moved that the District staff be authorized to publish approved minutes of board of directors meeting on the District's website. Director Bloodworth seconded said motion, which unanimously carried.

The Board next considered review of the District's Code of Ethics and other Policies. After discussion on the matter, the Board concurred that the Code of Ethics should continue, without amendment or revision.

The Board next considered the renewal of the District's insurance coverage for term expiring March 31, 2012. In connection therewith, Ms. Courte reviewed and distributed 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, 2013, copies of which are attached. She noted that wind modeling has been used by insurers to set the premiums for property coverage on buildings, which has resulted in a substantial rate increase. Ms. Courte recommended the District change to TML for its property coverage, in order to keep the total insurance coverage costs similar to last year. After discussion on the matter, Director Thumann moved that the renewal proposal from HighPoint for all coverage's set out above, excluding property coverage be approved, and that the Chair be authorized to execute same on behalf of the Board and District. Director Floyd seconded said motion, which unanimously carried.

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The Board next considered authorizing the preparation of a submission to the United States Department of Justice (“DOJ”) seeking preclearance for certain new election procedures pursuant to the requirements of Section 5 of the Voting Rights Act. Mr. Marks explained that the District must preclear the change in the voting locations due to the consolidation by the County of the District’s election precincts. After discussion, Director Thumann made a motion to authorize MRPC to prepare a submission to the DOJ relative to the changes in the voting locations. Director Floyd seconded said motion, which unanimously carried.

The Board next considered status of report on the EarthQuest Project development, including the approval of an agreement relating to the assignment of the waste discharge permit. Mr. McCrady discussed the merits of keeping the permit in affect. After discussion, Director Ybarra moved that the agreement relative to the assignment of the waste discharge permit be approved. Director Wetz seconded said motion, which unanimously carried.

Mr. Brown next updated the Board on the status of the Earth Quest development. He stated that he has been working with investors to secure funds to acquire the land and believes that he has a solution to work with the bankruptcy court and the bank to acquire the land. Mr. Brown further noted he hopes to have the land secured by the next meeting. Mr. Toledo next addressed the Board and presented a power point presentation relative to his proposed facility.

The Board next recessed to Executive Session at 6:41 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, and 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. The Board returned from Executive Session at 7:56 p.m.

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

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The Board next considered a report on activities within the Industrial Park, including the status of petition to the East Montgomery County Municipal Utility District No. 3 (“No. 3”) to annex 59.633 acres of land purchased from Harold B. and Carmen Myers. In connection therewith, Mr. Marks advised that same is on the City of Conroe agenda tonight for approval.

The Board next considered the status of the contract for Purchase and Sale of Real Estate with CDS Real Estate (formerly Energy Drilling Solutions) relative to the sale of approximately 40 acres. In connection therewith, Mr. McCrady stated that he had nothing new to report and recommended that the item be removed from the agenda.

The Board next considered the status of Agreement for the Purchase & Sale of Real Estate (replacing Option Agreement) and Option Agreement with Command Energy Services USA Ltd. (“Command”), relative to a 7 acre tract formerly owned by DAAP1, LP (formerly Transformer Protection). In that regard, Mr. McCrady stated that same has closed.

The Board next deferred the approval of an Incentive Agreement for Liquid Metal Coatings, LLC relative to a 4 acre tract.

The Board next deferred the approval of an Incentive Agreement for Remington Valve, LLC.

The Board next considered the approval of an Incentive Agreement relative to the expansion of facilities by Woodmark. In connection therewith, Mr. McCrady advised that Woodmark added a 9,000 square foot addition to its existing facility and has created an additional 6 jobs for the area. After discussion on the matter, Director Thumann moved that said Incentive Agreement relative to the expansion of facilities by Woodmark be approved. Director Wetz seconded said motion, which unanimously carried.

The Board next deferred the approval of an Incentive Agreement and to authorize preparation of a Purchase and Sale Agreement relative to Harbor America.

The Board next considered the approval of a memorandum of understanding with Hydrous Wake Park. In connection therewith, Mr. McCrady reviewed and discussed the provisions of said memorandum with the Board. After discussion, Director Thumann moved that said memorandum of understanding with Hydrous Wake Park be approved. Director Bloodworth seconded said motion, which unanimously carried.

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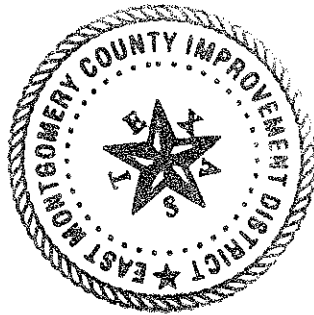
The Board next considered the approval of a memorandum of understanding with Front Site Resort. In connection therewith, Mr. McCrady reviewed and discussed the provisions of said memorandum with the Board. After discussion, Director Wetz moved that said memorandum of understanding with Front Site Resort be approved. Director Bloodworth seconded said motion, which unanimously carried.

The Board next announced the following activities:

- Business owners free event/job fair sponsored by Mission Northeast on March 6
- East County Rodeo Committee dance on February 17
- New Caney ISD FFA Progress Show on February 10
- EMCID Economic Development Zones Meetings on March 8

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

(SEAL)



  
Asst. Secretary, Board of Directors