

MINUTES OF SPECIAL MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
June 28, 2012

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

The Board of Directors of East Montgomery County Improvement District (the "District") met in Special Session, open to the public, on the 28th day of June, 2012, at 12:00 noon, 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 Directors Thumann and Warren, thus constituting a quorum.

Also present were Mr. Frank McCrady, Mr. David Marks, Mr. Joe Costanza, Mr. Dill, Ms. Marlene Idoux 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 adoption of an operating budget for the fiscal year ending June 30, 2013, a copy of which is attached hereto. In connection therewith, Mr. McCrady reviewed the proposed budget as recommended by the finance committee. After discussion, a motion was made by Director Rogers and seconded by Director Ybarra, which carried, with four (4) Directors being in favor and with Directors Bloodworth and Floyd being opposed, to adopt the operating budget for the fiscal year ending June 30, 2013, as presented.

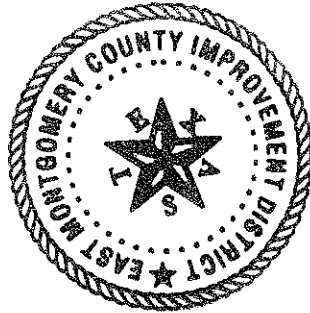
Minutes of East Montgomery County Improvement District for June 28, 2012

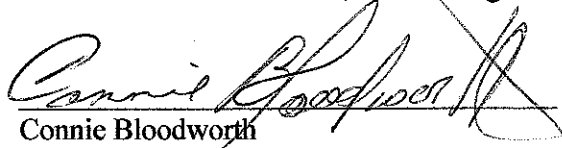
The Board next considered the approval of the final form of the Pre-Development Agreement (“PDA”) with Front Sight Resort. In connection therewith, Mr. McCrady reviewed the revisions made to the PDA since approval of same at the Board meeting on June 14, 2012, a copy of the revised PDA is attached hereto. After discussion on the matter, Director Wetz moved that the final form of the PDA be approved as presented. Director Rogers seconded said motion, which carried with four (4) directors being in favor and with Directors Bloodworth and Floyd being opposed.

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.

(SEAL)




Connie Bloodworth
Asst. Secretary, Board of Directors

EMCID - GOF
2012_2013 Draft Budget

	2011 Approved Budget	2012 Approved Budget	2012/2013 Draft Budget
Ordinary Income/Expense			
Income			
13600 - Reimb from E MUD 3 Bond		495,000	
14000 - Income			
14001 - Sales Tax Revenue	4,700,000	5,100,000	5,600,000
14002 - Hotel / Motel Tax	90,000	85,000	102,000
14401 - Interest Earned on Temp. Invest	25,000	10,000	4,000
15380 - Miscellaneous Income	10,000	10,000	5,000
15392 - Interest Earned on Checking Acc	1,000	1,000	1,000
Total 14000 - Income	4,826,000	5,206,000	5,712,000
14300 - EMCID Office Bldg Revenue			
14303 - Building Rents - College	48,000	48,000	48,000
14304 - Events Revenue	5,000	3,000	3,000
Total 14300 - EMCID Office Bldg Revenue	53,000	51,000	51,000
Total Income	4,879,000	5,752,000	5,763,000
Expense			
16000 - Administrative Expense			
16011 - Salaries	340,000	340,000	392,000
16012 - Payroll Taxes	26,000	26,000	32,000
16013 - Annual Benefits	6,000	6,000	15,000
16014 - Payroll Charges - Paychex / Adm	2,700	2,700	3,000
16015 - Retirement	17,000	17,000	20,000
16016 - Health Insurance	72,000	72,000	80,000
16017 - Worker's Compensation	2,500	2,500	3,000
16030 - Mileage/Auto	30,000	30,000	30,000
16096 - Dues/ Professional Memberships	12,000	12,000	12,000
16098 - Subscriptions	5,000	5,000	5,000
16132 - Office Equipment Lease	9,000	11,000	12,000
16133 - Computers/Access/Software, etc	20,000	20,000	30,000
16310 - Travel / Training - President CEO	30,000	45,000	45,000
16311 - Travel/Training - Board members	35,000	45,000	45,000
16312 - Travel / Training - Staff	20,000	25,000	25,000
16320 - Legal Fees	75,000	95,000	150,000
16321 - Advertising	25,000	25,000	20,000
16322 - Auditing Fees	15,000	15,000	15,000
16323 - Financial Advisor	10,000	7,000	6,000
16324 - Engineering Fees	35,000	33,000	40,000
16325 - Election Expense	0	20,000	0
16333 - Accounting	25,000	25,000	25,000
16340 - Supplies	12,000	12,000	13,000
16341 - Printing	5,000	10,000	10,000
Sales Tax Audit - ESD 6 & 7			8,000
16342 - Legal Notices & Publications	1,000	1,000	0
16344 - Delivery Fees	6,000	6,000	9,000
16350 - Postage	5,000	8,000	7,000
16351 - Telephone Expense	32,000	30,000	37,000
16359 - Miscellaneous	10,000	20,000	10,000
16360 - Bank Service Charges	0	0	0
16600 - Payroll Expenses	200	0	0
Total 16000 - Administrative Expense	883,400	966,200	1,089,000
16200 - Building Expense			
16319 - Legal Fees - Building	5,000	5,000	0
16335 - Bldg. Maintenance Contract	18,000	18,000	72,000
16336 - Grounds Maintenance Supplies	45,000	20,000	20,000
16337 - Security	0	7,000	15,000
16338 - Pond Care	1,000	1,000	1,000
16352 - Utilities	100,000	105,000	125,000
16361 - Insurance - Building	30,000	41,000	43,000
16362 - Miscellaneous - Building	1,000	1,000	1,000
16366 - Waste Removal	3,500	3,000	3,000
16367 - Pest Control	1,000	1,000	1,000
16368 - Chemicals	500	500	0
16370 - Repairs & Maint - Building	50,000	60,000	125,000
16371 - Building Supplies	4,000	4,000	4,000
16372 - Contract Labor			
16372 a - Janitorial	22,000	23,000	0
16372 b - Maintenance	8,500	60,000	100,000
16372 - Contract Labor - Other	0	0	0
Total 16372 - Contract Labor	30,500	103,000	100,000

EMCID - GOF
2012_2013 Draft Budget

	2011 Approved Budget	2012 Approved Budget	2012/2013 Draft Budget
16373 - Events Acct Expenditures	2,500	2,500	0
16374 - Capital Items	25,000	1,000	0
17306 - Building Improvements - Capital	20,000	1,000	15,000
Total 16200 - Building Expense	337,100	374,000	525,000
16375 - Bond Refunding Expense			
17000 - Community Development			
17000 6 - ESD # 6	696,000	698,000	698,000
17000 7 - ESD # 7	458,000	533,000	533,000
1700011 - ESD 11	100,000	100,000	100,000
17001 - Com Dev - Administrative	500	500	0
17002 - Com Dev - Legal Fees	5,000	5,000	5,000
17004 - Com Dev - Special Events	100,000	160,000	200,000
17008 - Community Development - Grants	200,000	250,000	250,000
17011 - Scholarship Program	550,000	600,000	625,000
Total 17000 - Community Development	2,109,500	2,336,500	2,411,000
17200 - Economic Development Exp			
17100 - Eco Dev - Marketing	100,000	110,000	120,000
17106 - Eco Dev - Legal	20,000	30,000	30,000
17120 - Legal for Land/Blgd/Industrial	30,000	20,000	40,000
17122 - Eng Fees - Industrial Pk	20,000	20,000	20,000
17130 - Economic Development Corporation	0	0	150,000
17600 - Industrial Park Capital Improv	20,000	10,000	30,000
17200 - Economic Development Exp - Other	1,000	4,000	0
Total 17200 - Economic Development Exp	191,000	194,000	390,000
17300 - Building - Debt Service Exp			
17302 - Building Payment	1,078,000	1,080,000	1,080,000
17300 - Building - Debt Service Exp - Other			
Total 17300 - Building - Debt Service Exp	1,078,000	1,080,000	1,080,000
17800 - Savings Expenditures	20,000	124,300	258,000
Total Expense	4,619,000	5,075,000	5,763,000
Net Ordinary Income	260,000	677,000	0
Other Income/Expense			
Other Expense			
17400 - Earth Quest			
17131 - Eco Dev - Project Rex	25,000	40,000	0
17180 - EarthQuest	200,000	100,000	
17322 - Engineering - Earth Quest	10,000	15,000	
17632 - Legal - Earth Quest	20,000	30,000	
17400 - Earth Quest - Other	5,000	5,000	
Total 17400 - Earth Quest	260,000	190,000	0
Industrial Park Land Sale		-300,000	0
17510 - Industrial Pk Land Purchase		787,000	
Total Other Expense	260,000	677,000	0
Net Other Income	-260,000	-677,000	0
Net Income	0	0	0

Preliminary Development Agreement

June 28, 2012

Front Sight Resort
1 Front Sight Road
Pahrump, NV 89061
Attn: Mr. Michael Meacher, Vice President

Dear Mr. Meacher:

This Preliminary Development Agreement (“PDA”) is intended to serve as an expression of the intent of relative to the proposed development by Front Sight Resorts (“Front Sight”) of the Front Sight Training Institute World Headquarters and Resort, consisting of a World Headquarters office facility, training center classrooms, retail pro center, logistics and student processing center, ammunition storage bunker, maintenance facility, external restrooms, indoor and outdoor shooting ranges, RV facility, dining hall, and bunkhouse and related facilities and infrastructure to support such facilities (collective the “Project”). The purposed of this PDA is to outline the intentions, commitments and expectations of Front Sight and the East Montgomery County Improvement District (“EMCID”) relative to the Project.

FACTS

Front Sight is a private company that is in the business of providing resort type experience in an educational atmosphere relating to self-defense and weapon education. EMCID is a political subdivision of the State of Texas, created for the purpose of encouraging economic development within its boundaries and empowered with certain authorities to provide support, assistance and incentives to facilitate the development of projects within EMCID that serve the purposes for which EMCID was created. The EMCID and Front Sight have been working together to identify a tract of land within the boundaries of EMCID that can be acquired and used by Front Sight to develop, construct, own and operate the Project.

UNDERSTANDING OF THE PARTIES

In furtherance of the Project, EMCID and Front Sight agree to the following terms and conditions, which terms may be incorporated into a formal agreement(s) between the parties:

1. Front Sight will, within thirty (30) days of the date of selection of the site for the Project (the “Project Tract”) provide EMCID with a preliminary Project site layout, showing the boundaries of the Project Tract along with scaled drawings of all facilities proposed or planned to be constructed, installed or developed on the Project Tract as part of the Project.

2. Upon receipt of the information described in 1. above from Front Sight, EMCID will proceed to acquire a six (6) month option to purchase the Project Tract on terms and conditions that EMCID determines are acceptable to it and in the best interest of the Project. In the event EMCID is unable to acquire the option on the Project Tract, EMCID will notify Front Sight of same and EMCID's obligation hereunder shall terminate. During such six (6) month option period, Front Sight shall perform whatever due diligence relative to the Project Tract as it deems necessary as the ultimate owner of the Project Tract. Upon completion of its due diligence but within such six (6) month option period, EMCID will assign this option to Front Sight, or Front Sight and EMCID will enter into a contract for the purchase and sale of real estate pursuant to the terms of which EMCID will agree to exercise its option to purchase the Project Tract and shall simultaneously close on its purchase of the Project Tract and the sale and purchase by Front Sight from EMCID of the Project Tract on such terms and conditions as are mutually agreeable to Front Sight and EMCID. Front Sight shall close on the purchase of the Project Tract prior to the expiration of such six (6) month option period.
3. Upon purchase of the Project Tract by Front Sight, EMCID and Front Sight will enter into an agreement pursuant to the terms of which Front Sight will agree to proceed with development and construction of the Project and EMCID will agree to utilize the revenues received from the levy of a ½% sales tax by EMCID on retail sales occurring within the Project together with the proceeds of the RUF (described in paragraph 7. hereof) to reimburse Front Sight an amount equal to 125% of the total amount expended by Front Sight in the acquisition of the Project Tract and the development and construction of land and improvements constituting the Project. The term of the reimbursement agreement shall be mutually determined by EMCID and Front Sight and shall be based upon financial projections of retail sales from within the Project, and annual visitors to the Project and the related RUF revenues to be generated from the Project, and the related projection of the time required to achieve full reimbursement of 125% of the Project development costs, but in no event will the term exceed 40 years from the date of the agreement.
4. At the request of Front Sight, EMCID will provide a letter of support addressed to Montgomery County for Front Sight's petition for a tax abatement relative to the Project.
5. At the request of Front Sight, EMCID will be supportive of Front Sight's efforts in relation to applications to the State of Texas for economic development grants and/or loans relative to the Project.
6. Front Sight has advised EMCID that it intends to pursue legislation that would enable the State of Texas to implement a program of providing bond funds to this Project and similar economic development projects secured by future state sales tax revenues to be received from the Project. In the event Front Sight proceeds with such plan, and upon demonstrating that it has secured the support of the state Senator and Representatives that represent residents within the boundaries of the EMCID, EMCID will provide letters of support and other non-monetary support for such efforts by Front Sight.

7. Prior to the Project opening to the general public, EMCID and Front Sight agree to enter into an agreement pursuant to the terms of which Front Sight will agree to levy, collect and remit to EMCID a Resort Use Fee (“RUF”) upon each guest visiting the Front Sight Project for each day of such visit. The funds collected will be utilized by EMCID to reimburse Front Sight for the acquisition and development costs of the Project as described in paragraph 3. hereof.
8. EMCID is legally authorized and has taken all required actions to levy a Hotel Occupancy Tax (“HOT”) upon room rentals at all hotels, motels, etc., located within the boundaries of EMCID. EMCID will, prior to the Project opening for business, develop a coding system that will enable EMCID and Front Sight to identify hotel stays attributable to persons visiting the Project. EMCID will agree to utilize HOT revenues received that are attributable to hotel stays by visitors to the Project to promote tourism to the Project.
9. Front Sight will, within ninety (90) days of the date of option agreement execution, cause to be completed and deliver to EMCID a financial feasibility report on the project, containing among other things, financial projections required to make the reimbursement agreements described herein, and will also during such ninety (90) day period enter into a contract with a qualified investment banking firm acceptable to EMCID to raise the equity and secure the financing require for the Project.
10. At the request of Front Sight, EMCID will provide non-monetary assistance to identify a local consultant to promote the Project tax abatement as described in paragraph 4. hereof, and to work with the Governor’s office to obtain grants and loans as described in paragraph 5. hereof, and to select a consulting firm to perform the financial feasibility study of the Project, as described in paragraph 9. hereof, and to identify and select a qualified investment banking firm to raise the equity and secure the financing required for the Project, as described in paragraph 9. hereof.
11. Front Sight will incur certain expenses in connection with the performance of its obligations set forth herein. To fund such expenses, Front Sight will make application to the East Montgomery County Economic Development Corporation (the “EDC”) and/or to EMCID for a loan in the maximum amount of \$130,000. Front Sight will have an absolute obligation to repay the loan in accordance with its terms and without regard to whether the Project proceeds to completion or is terminated. Either EMCID or the EDC may make the loan. The loan will initially be interest free and must be repaid on the earlier of sixty (60) days following Project funding or, if funding does not occur prior to the eighteenth (18th) month anniversary of the loan, the loan will thereafter accrue interest at the rate of four percent (4%) per annum and will be repaid based upon a 5 year, monthly amortization of the principal of and interest on the loan. If the feasibility study adequately supports the project in the opinion of EMCID, Front Sight may request an additional loan in the amount of \$70,000 on the same terms and conditions as the first loan.

The foregoing is an expression of the intentions and expectations of EMCID and Front Sight. Both parties have executed this letter in the place indicated below to evidence their respective concurrence with the terms set forth herein.

East Montgomery County Improvement District

Front Sight Resort

By: _____
Frank McCrady, President

By: _____
Michael Meacher, Vice President