

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
August 20, 2013

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 August, 2013, 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:

Connie Bloodworth	Chair
Linda W. Floyd	Vice Chair
Brenda Webb	Secretary/Treasurer
Dale Martin	Director
Vickie Thumann	Director
Fred Wetz	Director
Isidor Ybarra, Jr.	Director
Katherine Persson	Director

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

Also present were Mr. Frank McCrady, Ms. Suzanne Parmer, Mr. David Marks, Mr. Greg Phipps, Mr. Chris Palis, Mr. Eric Gonzales and others from the community, as shown on the attached sign in sheet.

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

Mr. Rogers led in prayer followed by the pledge of allegiance led by Director Ybarra.

As the first order of business, the Board considered comments from members of the audience. In connection therewith, Ms. Ramona Ducette with the Houston Livestock Show & Rodeo ("HLSR") addressed the Board and expressed the committee's appreciation for the District's support given to the HLSR during the year. She noted that the HLSR raised \$92,000 for EMC scholarships and presented the Board with a signed autographed photo by one of the prior year winners.

The Board next considered the review and approval of the minutes of the Board of Directors meetings held on July 11, 2013 and July 17, 2013. After review and discussion, Director Webb moved that the minutes of the Board of Directors meetings held on July 11, 2013 and July 17, 2013, be approved as written. Director Wetz seconded said motion, which unanimously carried.

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The Board next deferred the election of an Assistant Secretary of the Board of Directors and requested that the item be removed from the agenda.

The Board next considered the engagement of auditor for the preparation of a Sales Tax Report (the "Report") for Montgomery County Emergency Services District No. 6 ("MCESD No. 6") and Montgomery County Emergency Services District No. 7 ("MCESD No. 7") for the fiscal year ending June 30, 2013. In connection therewith, Mr. Gonzales stated that the fee range for the preparation of said Report was between \$3,000 and \$4,000. After discussion on the matter, Director Thumann moved to approve the engagement of auditor relative to the preparation of a Report for MCESD No. 6 and MCESD No. 7 for the fiscal year ending June 30, 2013. Director Webb seconded said motion, which unanimously carried.

The Board next considered the approval of a Second Amendment to contract between the District and MCESD No. 7. In that regard, Mr. McCrady reported that after the last meeting wherein the Board approved a 3 year, \$900,000 grant to MCESD No. 7, MCESD No. 7 requested that the District delete the declining payment formula and the guarantee for a \$300,000 per year grant for a longer term. He then presented a revised amendment and noted it provides for a 5 year extension of the existing agreement, committing a \$300,000 per year grant until the earlier of December 1, 2018, or when MCESD No.7's ad valorem value reaches \$850,000,000, with a commitment that the District will consider a further extension of funding at the end of the term if MCESD No. 7 has not reached the \$850,000,000 value goal. After discussion on the matter, Director Ybarra moved that the Board approve the Second Amendment to contract between the District and MCESD No. 7. Director Wetz seconded said motion. Director Martin then indicated that he preferred the District to not enter into these types of agreements in the future due to the difficulties with following up on the use of funds. Mr. McCrady noted that minor changes may be made to the final form of the document. Mrs. Jan Peterson of MCESD No. 7 advised that MCESD No. 7 approves the second amendment, but noted it may request some changes relating to the extension terms, and that MCESD No. 7 would prefer to have no limit as to the number of years and rather continue until the ad valorem value of \$850,000,000 is reached. Mr. Marks advised that he worked with Mr. Hancock to create the document and recommended that the Board not approve a contract with an open ended commitment. Director Bloodworth noted that the commitment to negotiate for a funding extension if MCESD No. 7 does not reach \$850,000,000 in value by December 1, 2018 is a good faith commitment on behalf

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of the District. After discussion, the Board voted on the motion to approve the second amendment to contract with MCESD No. 7, and the motion carried, with Director Floyd abstaining because there was no commitment from MCESD No. 7 to approve same.

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, Mr. Palis presented the financial and investments reports, copies of which are attached hereto, and discussed the invoices for payment. Following review, Director Webb moved that said reports be approved as presented and that payment of invoices be authorized on the Operating Fund being check nos. 10439 and 10491 through 10561, inclusive, with check no. 10439 being voided, four (4) wire transfers, debits for payroll, and on the Special Events Account being check nos. 2334 through 2337, as set forth on the attached reports. Director Martin seconded said motion, which unanimously carried.

Mr. Palis next presented and reviewed with the Board a Quarterly Investment Report for the reporting period ended June 30, 2013, a copy of which is attached hereto. After review of the Quarterly Investment Report, Director Webb moved that said Quarterly Investment Report be approved and the District's Investment Officer be authorized to execute same on behalf of the Board and District. Director Martin seconded said motion, which unanimously carried.

Mr. Palis next reported that he has received the MCESD No. 6 sales tax audit report.

The Board next considered the approval of an amendment to 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 reviewed the attached Memorandum relative to the changes required by S.B. 581 to the form Collateral Security Agreement attached to the District's Order. After discussion on the matter, Director Webb moved that (1) the attached Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer be adopted, that (2) the attached Investment Policy Order be adopted, and (3) the Chairman be authorized to sign and the Secretary to attest said Resolution and said Investment Policy Order on behalf of the Board and District. Director Ybarra seconded said motion, which unanimously carried.

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The Board next considered a report on the status of the EarthQuest project. In that regard, Mr. McCrady stated there was nothing new to report.

The Board next considered the status of the proposed Grand Texas project. In connection therewith, Mr. Galland reported that work has begun and that the project is moving forward.

The Board next deferred 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 building settlement investigation. Mr. McCrady stated that all contracts are on hold pending determination of what TxDot has planned in relation to the alignment of Grand Parkway. He then reported on the status of possible condemnation by TxDOT relative to the Grand Parkway and noted he is waiting on documents from TxDOT.

The Board next considered the status of installation of District signs throughout the District. In that regard, Mr. Phipps reported that he was told by TxDOT that there is no legal provision to allow the District to install the signs in TxDOT right-of-ways. He advised that a legislative change would be necessary, as currently gateway signs are only allowed for cities and municipal utility districts. The Board concurred to remove the item from the agenda.

The Board next recessed to Executive Session at 6:14 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 7:12 p.m.

The Board next considered a report on activities within the Industrial Park. In connection therewith, the Board deferred the review of bids and award of a contract for the construction of extension of sanitary sewer line along Caroline Way.

The Board next considered the status of the real estate purchase and sale contract in connection with the sale of approximately 21 acre tract to Command Energy. In connection therewith, Mr. McCrady reported that he is working with Command Energy on same.

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The Board next considered the status of a letter of intent relative to Keysteel Expansion. In connection therewith, Mr. McCrady reported that he is working with Keysteel and that Mr. Costanza is working on the site design.

The Board next considered the status of the contract with Lone Star College ("Lone Star") for grant of up to 25 acres of land for development of an oil field Work Force Training Center. In connection therewith, Mr. McCrady reported that the tract in the Industrial Park will not work and that he is currently looking at 4 alternate sites in the District to present to Lone Star.

The Board next deferred the status of real estate purchase and sale contract in connection with the sale of approximately 4 acre tract to Gates Engineered Lubricant, LLC.

The Board next deferred the status of real estate purchase and sale contract in connection with the sale of approximately 13 acre tract to Enascor.

The Board next considered the approval of a sponsor agreement with TxDOT regarding the Jefco Development Corp. project in the District. In connection therewith, the Board deferred action after Mr. McCrady noted that he is in discussion with the developer to assist with the drainage improvements to serve the project.

The Board next considered a discussion regarding possible videotaping of District Board of Directors meeting. In that regard, Director Martin advised that community members are expressing concern over transparency and he recommended that the District look into the issue. He further recommended that the District update its website to include the adopted budget, policies, etc. Director Persson noted there are many issues associated with videotaping and stated that timely posting the approved written minutes from the meetings would serve the same purpose. Director Wetz concurred that the District should update and keep its website updated. Director Bloodworth advised that the District is currently addressing ways to update the website. Director Webb suggested that the Board defer action to allow time to investigate all issues associated with videotaping, including archiving, broadcasting and making the video accessible to the public. Director Bloodworth then requested that the Board defer action and that Mr. McCrady be authorized to investigate the matter and to report his findings to the Board at the next meeting.

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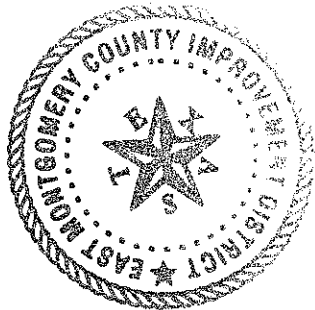
The Board next considered the following announcements:

- Director Martin expressed his appreciation for the community grant to Splendora ISD for the speaker as he noted it was a great way to start the new school year.
- East County Fair – September 6
- Back to School Bash – September 10
- East County Auction – September 14th or 21st
- Community Development Grants – Director Martin noted that applicants need to submit applications for consideration of the October round of development grants.

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)




Secretary, Board of Directors