

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
February 18, 2014

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 18th day of February, 2014, 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:

Fred Wetz	Chair
Vickie Thumann	Vice Chair
Brenda Webb	Treasurer
Isidor Ybarra, Jr.	Secretary
Katherine Persson	Asst. Secretary
Connie Bloodworth	Director
Linda W. Floyd	Director
Dale Martin	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. Joe Costanza, Mr. Cory Burton, Mr. Michael Johnson, Chief Welch 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. McCrady led in prayer followed by the pledge of allegiance led by Director Wetz.

As the first order of business, the Board considered comments from members of the audience. In that regard, the Chairman noted that no one had signed up to speak.

The Board next considered the review and approval of the minutes of the Board of Directors meetings held on January 9, 2014, and January 15, 2014. After review and discussion, Director Thumann moved that the minutes of the Board of Directors meetings held on January 9, 2014, and January 15, 2014, be approved as revised on the attached draft minutes. Director Webb seconded said motion, which unanimously carried.

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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. Burton 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. 10677 and 10920 through 10964, inclusive, with check nos. 10677 and 10936 being voided, debits for payroll, and two (2) wire transfers, and on the Special Events Account being check no. 2364, as set forth on the attached reports. Director Floyd seconded said motion, which unanimously carried.

The Board next considered a request by Montgomery County Emergency Services District No. 11 ("ESD No. 11") for a grant to expand service in preparation for new development projected to occur within the ESD No. 11 service area. In that regard, Mr. Payne and Chief Welch addressed the Board and request a grant in the amount of \$425,000 per year for 25 years, plus increases. They stated that \$392,000 is needed for additional new staff members at the station. Mr. Payne acknowledged that ESD No. 11 currently receives \$331,000 per year in ad valorem taxes. Chief Welch stated that they are trying to merge Montgomery County Emergency Services District No. 7 and ESD No. 11 to create one large Emergency Services District and noted that they currently have a working arrangement in place. The Board requested the ESD No. 11 provide the District with a written proposal showing the sources funds projected to be received and the projected uses of the requested funds. The Board further questioned as to why members of the Board were not invited to participate in discussions relative to the possible merger. Chief Welch advised that the Board members are welcome to participate in the merger discussions. After discussion on the matter, Director Martin moved that Chairman Wetz be authorized to appoint a committee of Directors and community members to meet and make a recommendation to the Board. Director Bloodworth seconded said motion, which unanimously carried.

Director Wetz next appointed Director Martin, Walter Pee Wee Mizell, Kevin Okonoski, Dana Daniels and Jesse Duran to the study committee. Mr. Payne next advised the Board that ESD No. 11 intends to hold a special meeting on February 20 to determine if ESD No. 11 will proceed with a sales tax authorization election in May 2014.

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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 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 Webb seconded said motion, which unanimously carried.

The Board next considered the status of the sales tax audit being performed by B&A Sales Tax Service. In that regard, Mr. Marks stated he has spoken with Mr. Bonnerjee who advised that the sales tax audit is in process.

The Board next considered a report on the status of the EarthQuest project. In that regard, Mr. Brown addressed the Board and stated that the project is proceeding. He stated the Contour has signed a "next level" agreement with a financing group and has created an international corporation. Mr. Brown reported that the first tranch of funding is scheduled to occur within thirty (30) days and that he expects to close on the property by the end of May. He further noted that if ESD No. 11 proceeds with conducting a sales tax election, it could adversely affect the project as the District would not be able to create an economic development zone covering the project property and consequently the project would not have available zone funding for the project.

The Board next considered the status of the proposed Grand Texas project. In that regard, Mr. McCrady stated that he had nothing new to report.

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, as Mr. McCrady stated he had nothing new to report.

The Board next considered the status of the possible condemnation of District property by TxDOT for the Grand Parkway development. In that regard, Mr. McCrady stated he had nothing new to report as the District is still waiting on TxDOT appraisal.

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The Board next considered the status of a contract with Peterson Dean for repair of the gutter system. In that regard, Mr. McCrady reported that the repair work is proceeding.

The Board next recessed to Executive Session at 6:32 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 7:56 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 deferred status of a letter of intent relative to the Keysteel Expansion as Mr. McCrady stated he had nothing new to report.

The Board next considered the status of a Letter of Intent relative to the 4.2886 acre site to World Fab (Power House Industries). In that regard, Mr. McCrady reported that the closing documents are with the title company.

The Board next considered the status of a Real Estate Sales Contract relative to a 12 acre site with Catalyst Trading Company. In that regard, Mr. McCrady reported that same is pending with the buyer.

The Board next considered the status of a Real Estate Sales Contract relative to a 4 acre site with Lighthouse Industrial Properties, LLC (Gates Engineered Lubricants, LLC). In that regard, Mr. McCrady stated that same is with the title company.

The Board next considered the status of an Incentive Agreement and Real Estate Sales Contract with Liberty Concrete relative to its proposed expansion. In that regard, Mr. McCrady noted that same is pending.

The Board next considered the status of a Real Estate Sales Contract relative to a 8.5174 acre tract with Curt Joslin. In that regard, Mr. McCrady noted that same is pending.

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The Board next considered the approval of an Incentive Agreement and Real Estate Sales Contract with Black Diamond relative to its purchase of a 10 acre tract of land in the Industrial Park and to authorize the President, Chairman and District consultants to take all actions required to close the transaction. After discussion on the matter, Director Ybarra moved that the Board approve an Incentive Agreement and Real Estate Sales Contract with Black Diamond relative to its purchase of a 10 acre tract, and authorize the President, Chairman and District consultants to take all actions required to close the transaction. Director Persson seconded said motion, which unanimously carried.

The Board next considered the approval of a Supplemental Declaration to the Declaration of Covenants, Conditions and Restrictions and Easements (“Supplemental Declaration”) relative to the 26 acre Quinn tract. After discussion on the matter, Director Martin moved that said Supplemental Declaration be approved and that the Chairman be authorized to execute same on behalf of the Board and the District. Director Thumann seconded said motion, which unanimously carried.

The Board next deferred the approval of a conveyance of 0.9936 acre drainage and detention easement with East Montgomery County Municipal Utility District No. 3 (“No. 3”).

The Board next considered the status of a petition to No. 3 relative to annexation of the 26 acre Quinn tract. In that regard, Mr. Marks reported that No. 3 is proceeding with the annexation of same.

The Board next deferred approval of a development agreement with Jefco Development Corp. and a sponsor agreement with TxDOT regarding construction of drainage and detention facilities for the retail center and expansion of Loop 494.

The Board next considered the status of an incentive agreement with Taco Bell. After discussion on the matter, Director Webb moved that the Board approve a revised agreement with Taco Bell. Director Thumann seconded said motion, which unanimously carried.

The Board next considered the approval of an Incentive Agreement with Smash Burger. After discussion on the matter, Director Thumann moved that the Board approve an Incentive Agreement with Smash Burger. Director Floyd seconded said motion, which unanimously carried.

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The Board next deferred the review of a proposal relative to the renewal of the District's insurance coverage for the term expiring March 31, 2014, until the special meeting.

The Board next considered the following announcements:

- February 24 – Law Enforcement Dinner

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

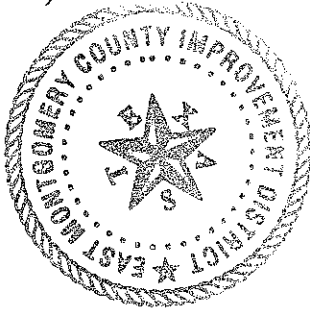
The Board next considered the calling of a Directors Election to be held on May 10, 2014, and determining of procedure for giving notice of same, and the adoption of an Order in connection therewith, including the appointment of an agent for the District in connection therewith, and the approval of any 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 10, 2014. It was noted that the terms of office of Directors Bloodworth, Wetz, Thumann and Floyd would expire in June 2014. Mr. Marks advised the Board that notice of the election could be given by one or more of the 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 Persson, seconded by Director Floyd 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.

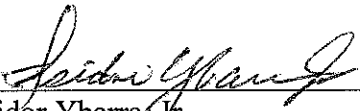
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Mr. Marks next advised the Board that an agent should be appointed to perform election duties in connection with the Directors Election. After discussion on the matter, Director Persson moved that the Notice of Appointed Agent appointing the law firm of Marks Richardson PC as agent be adopted, that the Chairman and 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 Floyd seconded said motion, which unanimously carried.

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

(SEAL)





Isidor Ybarra, Jr.
Secretary, Board of Directors