

MINUTES OF REGULAR MEETING
EAST MONTGOMERY COUNTY IMPROVEMENT DISTRICT
November 12, 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 12th day of November, 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:

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. Greg Phipps, Ms. Katherine Turner 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.

Director Persson 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 that regard, Director Wetz advised that no one had signed up to address the Board.

The Board next considered the review and approval of the minutes of the Board of Directors meetings held on October 14 and October 15, 2013. After review and discussion, Director Webb moved that the minutes of the Board of Directors meeting held on October 14, 2013, be approved as revised on the attached draft minutes. Director Thumann seconded said motion, which carried, with Director Persson abstaining. Director Persson next moved that the minutes from the meeting on October 15, 2013, be approved as written. Director Webb seconded said motion, which unanimously

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The Board next considered a report on the status of the constable patrol at local shopping centers during the holiday season. In that regard, Mr. McCrady stated that he has not received a report from the Constable's office as the patrol program just began on November 10.

The Board next considered the approval of Community Development Grant Agreements. In that regard, Mr. McCrady discussed the status of reporting compliance from previous grants awarded and presented the attached spreadsheet relative to same. Ms. Parmer reviewed said spreadsheet with the Board and noted that Splendora ISD owes the District a refund for a portion of its grant not spent on the requested project.

Mr. McCrady stated that \$533,321.69 in grant funds were applied for, and that the District budgeted \$300,000 for the current fiscal year. He further reported that the Board committed \$26,400 to the Chamber of Commerce and \$22,000 for the additional constable patrol, leaving \$251,600 in grant funds still available. Director Floyd noted that the District has one half of that amount to fund this round of grant requests. Mr. McCrady noted that the staff recommended funding approximately \$200,000 during this round of grant requests. The Board then noted that the District allocates over 1/3 of its annual budget for community grant expenditures. After discussion, Director Persson moved that the Board approve all seventeen (17) grant applications as recommended by the staff. Motion failed for a lack of a second. The Board then discussed the status of the previous contract compliance and Director Floyd recommended that all grants not currently in compliance be rejected. Mr. Wetz recommended that an item be placed on the next agenda for further discussion regarding grant application policy. Director Thumann expressed concern that most grants go to governmental entities with taxing authority. Director Floyd next made a motion to consider each grant application individually, Director Martin seconded said motion, which unanimously carried.

Mr. McCrady then reviewed the request of Porter High School Art Department ("PHS") for \$1,580.18 of a total project cost of \$2,130.18 to fund the costs of materials for a new Forensic Art class at PHS. He noted that the staff recommended funding the request with the 33% required fund match. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Martin, which carried, to fund the \$1,508.00, subject to the balance required being funded by PHS, in accordance with the staff recommendation. Director Floyd advised she opposed the motion because the matching amount was less than the 33% required of all applicants.

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Mr. McCrady next reviewed the request of the Friends of RB Tullis Library (the "Friends") for \$5,000.00 of a total project cost of \$7,500.00 to purchase books, audios and videos for the RB Tullis Library. After discussion on the matter, a motion was made by Director Webb and seconded by Director Floyd, which unanimously carried, to fund the \$5,000, subject to the Friends providing the matching funds, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request from Splendora ISD ("SISD") for \$22,156.86 of a total project cost of \$33,571.00 to tie in existing sewer systems from facilities east of the railroad to the City of Splendora sewer system. He noted that SISD is not in compliance with reporting requests for prior grants funded. Director Ybarra recommended that SISD apply for CBDG funding. After discussion, the request fails due to a lack of motion.

Mr. McCrady next reviewed the request of the Montgomery County Emergency Services District No. 11 ("No. 11") for \$56,824.37 of a total project cost of \$84,812.50 to repair fleet apparatus and purchase personal protective clothing. He noted that the staff recommended funding \$16,974.45 of the \$25,335.00 for the protective clothing only. After discussion on the matter, a motion was made by Director Martin and seconded by Director Floyd, which unanimously carried, to fund the \$16,974.45 for protective clothing only, subject to No. 11 providing the matching funds, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the City of Patton Village on behalf of the Patton Village Police Department for \$18,642.36 of a total project cost of \$27,824.42 to purchase and install four (4) on board computers. He noted that the staff recommended funding the request as submitted. After discussion on the matter, a motion was made by Director Webb and seconded by Director Floyd, which unanimously carried, to fund the \$18,642.36, subject to the City of Patton Village providing the matching funds, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the City of Patton Village for \$16,744.69 of a total project cost of \$24,992.08 to purchase and install playground equipment for Peach Creek Park. Mr. McCrady noted that the staff did not recommend funding the request, as the park is located in a floodway. Mr. Costanza then presented the attached information relative to flood plan vs. floodway. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Ybarra, which carried, with Director Martin being opposed, to not fund the \$16,744.69, provided the

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District would consider a future grant if the request is accompanied by a permit authorizing construction in the floodway, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the City of Roman Forest (“CORF”) on behalf of the Roman Forest Police Department for \$6,856.11 of a total project cost of \$10,233.00 for a commercial grade security fence. He noted that the staff recommended funding the request, as submitted, subject to completion and submission of all outstanding reports required under previous grants awarded. Ms. Parmer noted that she received additional compliance information today at 4:55 p.m., but did not have a chance to review same. After discussion on the matter, a motion was made by Director Martin and seconded by Director Bloodworth, which unanimously carried, with Directors Floyd and Wetz being opposed, to fund the \$6,856.11, subject to the CORF providing the matching funds, and in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the City of Roman Forest relative to funding \$65,349.12 of a total project cost of \$97,536.00 for improvements to the City swimming pool. He noted that the staff recommended funding \$20,000.00 of the \$65,349.12 request, subject to receipt of an itemized list of work to be performed, and subject to the CORF providing at least \$10,000 in matching funds for the project. After discussion on the matter, a motion was made by Director Martin and seconded by Director Bloodworth, which unanimously carried, to fund the \$20,000.00, subject to the CORF providing at least \$10,000 in matching funds; in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the City of Splendora (the “City”) for \$103,444.00 to purchase and install Phase II playground equipment for City Park – 1st Street. He noted that the staff recommended funding \$12,699.00 for Calico Rock and \$13,999.00 for Walnut Ridge, provided that the City provides the 33% matching funds, and that the City fulfills its reporting requirements for previous grants. After discussion on the matter, a motion was made by Director Martin and seconded by Director Persson, which unanimously carried, to fund the \$17,887.66, for purchase and installation of the Calico Rock and Walnut Ridge playground equipment, subject to the City providing the required 33% matching funds, and in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the Splendora Youth Baseball Association (“SYBA”) for \$45,004.52 of a total project cost of \$67,170.92 to construct a metal building (roof only) for batting cages. He noted that the staff recommended funding \$15,000 subject to SYBA

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proving evidence that it has available the balance of \$52,170.92 for the project. Mr. McCrady noted that the SYBA has not met reporting requirements for previous grants. After discussion on the matter, a motion was made by Director Martin and seconded by Director Persson, which unanimously carried, to fund the \$15,000.00, subject to receipt of proof that SYBA has the balance of funds required to complete the project, and further subject to SISD completing its reporting obligations from previous grants and in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the Splendora Independent School District ("SISD") for \$20,000.00 of a total project cost of \$34,250.00 for program books, e-readers and printers relative to the Early College Program. He noted that the staff recommended funding \$10,750.00 to pay the costs of request item no. 3, being the purchase of net books and printers, subject to SISD providing funding of \$3,500.00 for item no. 2. Mr. McCrady noted that SISD has not met reporting requirements for previous grants. After discussion on the matter, a motion was made by Director Webb and seconded by Director Ybarra, which carried, with Director Martin abstaining, to fund the \$10,750.00 for item no. 3 of the request, subject to SISD committing to fund item no. 2 of the request in the amount of \$3,500.00, and further subject to SISD completing its reporting obligations from previous grants, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request from New Caney High School Class of 2014 Project Graduation for \$10,000.00 toward a total of \$39,294.00 for the program. He noted that the District already gives each school \$1,000 towards Project Graduation. After discussion on the matter, a motion was made by Director Bloodworth and seconded by Director Webb, to approve the grant of \$10,000, which motion failed, with Directors Webb, Bloodworth and Martin in favor, Director Floyd abstaining, and Directors Wetz, Thumann, Persson and Ybarra opposed.

Mr. McCrady next reviewed the request from Montgomery County Fair Association ("MCFA") and \$14,982 of a total cost of \$22,700.00 to purchase and install two (2) 20' fans in the show barn at the EMC Fairgrounds at Bull Sallas Park. He noted that the staff recommended funding the request, as submitted. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Webb, which unanimously carried, to fund the \$14,982.00, subject to MCFA providing \$7,718.00 in matching funds, in accordance with the staff recommendation.

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Mr. McCrady next reviewed the request of the City of Woodbranch Village on behalf of the Woodbranch Village Police Department for \$19,050.78 of a total project cost of \$28,434.00 to purchase and install mobile electronic citation systems. He noted that the staff did not recommend funding at this time and that the City of Woodbranch Village has not met reporting requirements for previous grants. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Floyd, which carried, with Director Ybarra being opposed, to not fund the \$19,050.78, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request from Splendor FFA Alumni ("FFA") relative to funding \$24,672.75 of a total project cost of \$36,825.00 for a 24' gooseneck swine trailer. He noted that the staff recommended funding the request, as submitted, with matching fund requirements. Mr. McCrady further reported that the trailer will be housed at Splendor High School and will be donated to the school. After discussion on the matter, a motion was made by Director Webb and seconded by Director Ybarra, which carried, with Director Martin abstaining, to fund the \$24,672.75, subject to the FFA providing \$12,152.25 in matching funds, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request of the New Caney High School Dance Team relative to funding \$3,013.95 to purchase mobile performance curtains. He noted that the staff recommended funding the request with no fund match. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Webb, which carried, with Director Floyd being opposed due to there being no fund match requirement, to fund the \$3,013.95, in accordance with the staff recommendation.

Mr. McCrady next reviewed the request from the New Caney Education Foundation ("NCEF") relative to funding \$100,000.00 to go toward NCEF's grant program to provide grants to teachers. He noted that the staff did not recommend funding the request as the District has its own foundation and does not need to go through another foundation. Ms. Parmer stated that the NCEF grant program is for teachers and not students. After discussion on the matter, a motion was made by Director Thumann and seconded by Director Ybarra, which carried, with Director Webb abstaining, to not fund the \$100,000.00, in accordance with the staff recommendation.

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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, Ms. Turner 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. 10671 through 10750, inclusive, with check nos. 10685, 10696, 10697, 10698 and 10725 being voided, debits for payroll, four (4) wire transfers, and on the Special Events Account being check nos. 2350 and 2351, as set forth on the attached reports. Director Ybarra seconded said motion, which unanimously carried.

Ms. Turner next presented and reviewed with the Board a Quarterly Investment Report for the reporting period ended September 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 Ybarra seconded said motion, which unanimously carried.

The Board next considered a report on the financial status of Montgomery County Emergency Services District No. 11 ("MCESD No. 11"). In that regard, Mr. McCrady stated that he has not yet met with the MCESD No. 11 fire chief. Chief Frazier then addressed the Board and noted that MCESD No. 11 finished last year approximately \$70,000 under budget and noted that MCESD No. 11 is the only fire department located within the District that does not receive funding throughout the year. He noted that MCESD No. 11 does not receive any funding from The City of Patton Village or The City of Splendora and stated that more than 60% of the calls that MCESD No. 11 respond to are located within those two (2) cities. Chief Frazier further noted that MCESD No. 11 receives approximately \$300,000 per year in property taxes.

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

The Board next considered the status of the proposed Grand Texas project. In connection therewith, Mr. McCrady stated that a press conference will be held tomorrow to officially announce the Grand Texas project.

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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 in connection with the possible condemnation of District property by TxDOT for the Grand Parkway development.

The Board next recessed to Executive Session at 6:59 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 8:02 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 and preparation of a Purchase and Sale Agreement relative to the 4.2886 acre site to World Fab (Power House Industries). After discussion on the matter, Director Ybarra moved that the Board authorize the preparation and execution of a Purchase and Sale Agreement relative to the 4.2886 acre site to World Fab 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 status of an Incentive Agreement with Catalyst Trading Company ("Catalyst"), approval of a Real Estate Sales Contract and to authorize the President, Chairman and District consultants to take all actions required to close the transaction relative to development in the Industrial Park. After discussion on the matter, Director Ybarra moved that the Board approve a Real Estate Sales Contract with Catalyst and authorize the President, Chairman and District consultants to take all actions required to close the transaction. Director Webb seconded said motion, which unanimously carried.

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The Board next considered the approval of a Real Estate Sales Contract with Gates Engineered Lubricants, LLC (“Gates”) and to authorize the President, Chairman and District consultants to take all actions required to close the transaction. After discussion on the matter, Director Persson moved that the Board approve a Real Estate Sales Contract with Gates, including the acceptance of \$100,000 in exchange for deleting the requirements for a Deed of Trust to secure performance of job creation requirements and to authorize the President, Chairman and District consultants to take all actions required to the close the transaction. Director Thumann seconded said motion, which unanimously carried.

The Board next considered the approval of a Real Estate Sales Contract relative to the purchase of a 26 acre tract from Quinn and to authorize the President, Chairman and District consultants to take all actions required to close the transaction. After discussion on the matter, Director Martin moved that the Board approve a Real Estate Sales Contract with Quinn and authorize the President, Chairman and District consultants to take all actions required to the close the transaction. Director Webb seconded said motion, which unanimously carried.

The Board next deferred the approval of a development agreement with Jefco Development Corp. and a sponsor agreement with TxDOT regarding construction of drainage and detention facilities to serve retail center and expansion of Loop 494, after Mr. McCrady stated he had nothing new to report.

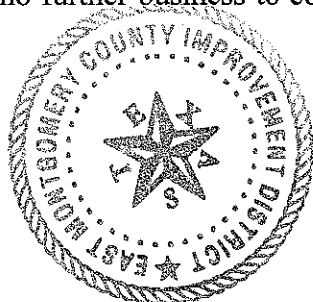
The Board next considered the following announcements:

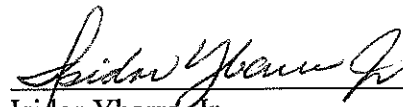
- December 2 – EMCID Open House
- Director Thumann stated she attended the Trade Show in Dallas
- Director Persson stated she attended the D.C. show and noted the show was a bit slower than in the past, but that the District got a couple of good leads.

The Board next considered matters for possible placement on future agendas. In connection therewith, Director Martin recommended that the Board create a committee or conduct a workshop meeting to discuss a grant request policy.

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

(SEAL)




Isidor Ybarra, Jr.
Secretary, Board of Directors