

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1
201 W. 5th Street, Suite 1350
Austin, Texas 78701

Minutes of Regular Meeting
of
The Board of Directors of SH130 Municipal Management District No. 1

THE STATE OF TEXAS §

COUNTY OF TRAVIS §

SH130 MUNICIPAL MANAGEMENT DISTRICT NO. 1 §

The Board of Directors (“*Board*”) of SH130 Municipal Management District No. 1 (“*District*”) met in a regular session, open to the public, on July 17, 2024, at 100 Congress Avenue, Suite 1100, Austin, Texas 78701, a designated office of the District outside the boundaries of the District. Mike Krusee, Chairman of the Board of Directors, called the meeting to order at or about 12:35 p.m.

The following members of the Board were present at the meeting:

Mike Krusee	President
Vacant	Vice President
Austin Talley	Secretary
Albert Hawkins	Asst. Secretary
Robert Walker	Asst. Secretary

All current Directors were present and a quorum was had. All Directors were present at each time a vote was taken, and had an opportunity to vote on all items that came before the Board during the meeting.

Also present at the meeting were the following persons:

- District staff Aundre Dukes, Tim Alcott, Kristinn Massay, Candice Salazar, and Kerry Joiner;
- Hayes Innovation Center for Advanced Manufacturing (“*HICAM*”) representatives Marcus Metzger and Jon Hockenyos, and their guests Charles Donly of Peak Consulting, and Tyler Ostby and Heather Rees of Juice Consulting;
- Jim Carpenter, a landowner within the District, Ty Cunningham, a real estate consultant, and Felix Zayas and Vance Scarborough of the Emerald Island project;
- Kristina Hayes, a landowner within the District;
- Randy Moshier of Frost Bank;

- Attorneys Emilio B. Nicolas, Bill Venema (via Zoom), Jennifer Freel (via Zoom), and Russ Miller (via Zoom), and paralegals Stephanie Sanchez and Tracey Green of Jackson Walker L.L.P. (“*Jackson Walker*”), legal counsel for the District; and
- Attorney Andrew Johnson of Johnson Petrov, LLP, legal counsel for the District.

References herein to “*Agenda Item No.*” refer to the corresponding agenda item number set forth in the meeting’s *Public Notice of Regular Meeting of the Board of Directors of SH130 Municipal Management District No. 1* dated July 11, 2024.

1. With regard to Agenda Item No. 3: Mr. Alcott called for public comments, and in response, Mr. Carpenter addressed the Board with introductions to Mr. Cunningham, Mr. Zayas, and Mr. Scarborough. Ms. Hayes also addressed the Board. Ms. Hayes said that she understood Mr. Carpenter planned to nominate Mr. Cunningham to fill a vacant Board seat, and that she too had a potential nominee if such an appointment would be considered during the open meeting. There being no further public comments, the Board proceeded with the agenda.

2. With regard to Agenda Item No. 4: The Board was presented with the minutes of the June 20, 2024 regular meeting. Following review of those minutes, a motion was made by Director Krusee, all other Board members seconded and voiced their approval of those minutes as written. The minutes of the June 20, 2024 regular meeting, therefore, received unanimous Board approval.

3. With regard to Agenda Item No. 5: Mr. Metzger reported to the Board on HICAM’s operations and the status of its building renovation. Mr. Metzger provided each Board member with a copy of a written memorandum with photos and financial information, and brought a short video presentation that the Board allowed him time to present, and it was presented.

Mr. Metzger next advised the Board that permits were approved by the City of Austin and that the IRS had approved HICAM’s status as a tax-exempt 501(c)(3) organization. Mr. Metzger further reported that repairs were underway on the sink hole that he detailed during the June 20, 2024 regular meeting, and that HICAM anticipates a November 2024 completion date for the building. Mr. Metzger described some of HICAM’s grant strategies. Then Ms. Rees and Mr. Ostby from Juice Consulting gave additional updates on HICAM’s progress and growth. Mr. Hockenyos, who serves on HICAM’s board, expressed a desire to put a contract in place to formalize HICAM’s relationship with the District with regard to its occupancy of the building, but no action was taken. Mr. Hockenyos reported that HICAM had potential educational partners in place and possible academic tenants for the building. Finally, Mr. Metzger made a short introduction to Mr. Donly as the CEO of Peak Consulting.

4. With regard to Agenda Item No. 6: Director Alcott asked Ms. Salazar to present the financials that had been circulated among the Board members prior to the meeting. The Board considered the Cash Activity Report and expense payments as presented. Then Ms. Salazar recited a list of outstanding invoices for the Board to consider for payment. Mr. Alcott drew the Board’s attention to an unlisted invoice from Monark Building related to HICAM’s project that was submitted just before the scheduled meeting, and he asked the Board to consider the expense among the others presented to save time. The Board wished to have additional time to review the Monark Building invoice and therefore did not take action on that additional expense.

Mr. Alcott further advised the Board that the fees submitted for payment by Johnson Petrov included fees incurred before the formal acceptance of the engagement contract with Johnson Petrov, but that he recommended that they be paid.

Mr. Alcott then recommended Board approval of payment of the invoice from Land Design Studio, as he believed the work billed had been performed and that it was unlikely that the company had the resources to carry the unpaid invoice indefinitely. Director Hawkins asked for clarity on the services provided by Land Design Studio, and additional detail on the services was supplied by Mr. Carpenter.

Director Walker expressed concern that Land Design Studio work had been performed before a contract with this vendor was approved by the Board, and voiced concerns regarding this sequence of events. Director Talley agreed and joined in this concern, and also that the terms of the service had not been solidified before the work began. Mr. Carpenter advised the Board that the Land Design Studio charges were an expense that he would be expected to repay in connection with his loan, and that he found the work necessary. Director Krusee asked that further discussion on the loan be had during the time set aside at the meeting for the loan agenda item as planned.

Director Krusee moved the Board to approve the financials and payment of the expenses listed on the financial report as presented, and Director Hawkins seconded such motion, following which the Board voiced unanimous approval of the financial data presented, including the expenditures contained therein.

5. With regard to Agenda Item No. 7: The Board next discussed the economic development studies loan for the Emerald Island Project that was approved by the Board in general terms during a prior meeting.

After discussion, and upon motion by Director Krusee, seconded by Director Talley, the Board unanimously approved the grant of an economic development studies loan to landowner Jim Carpenter or one of his entities for the Emerald Island project (thereby replacing the prior approval of the economic development studies loan at the May 15, 2024 regular meeting of the Board), subject to the following findings and conditions as read aloud to the Board by Mr. Nicolas:

- A. The District has determined that financing the proposed studies (including market and feasibility studies) serve the valid public purposes of (A) promoting and developing commerce, housing, tourism, recreation, the arts, entertainment, economic development, and public welfare in the District, and (B) providing needed funding for the District to enhance the economic health and vitality of the district territory as a community and business center;
- B. The loan will be memorialized in a formal written agreement(s) satisfactory to the District;
- C. The principal amount of the loan will be an amount equal to \$1.45 million minus the \$72,000 and \$64,000 amounts that Land Design Studio has already invoiced to the District for services rendered as part of the studies, as the District will directly pay those invoice amounts;

D. The loan will be a secured loan, with the full principal amount and deductions being personally guaranteed by Jim Carpenter, and with one-half of such amounts being further secured by collateral in a form to be determined by a special committee comprised of Directors Krusee and Walker;

E. The loan will include interest and a maturity date to be negotiated;

F. The loan will include certain requirements for the studies to be undertaken by the borrower, such as, for example, the District will have the right to approve the form of the vendor agreements for the studies and to use the studies for any purpose;

G. All other terms of the loan will be negotiated between the District and the borrower; and

H. The law firm of Jackson Walker L.L.P. will serve as lead counsel for the District with respect to the loan transaction.

6. With regard to Agenda Item No. 8: The Board next discussed the proposed appointment of Mr. Cunningham to fill the vacancy on the Board. Mr. Carpenter introduced Mr. Cunningham to the Board, and provided his thoughts on Mr. Cunningham's real estate, multifamily, and affordable housing expertise.

Directors Talley, Walker, and Hawkins each mentioned concerns that they had not been given adequate time to consider the appointment prior to the meeting. Director Walker expressed a desire for the creation of a board selection committee as was his experience in the past. Director Talley wished to also consider another candidate he thought may be proposed by Tim Alcott and indicated there may be proposed candidates of his own. He expressed that the Board should consider multiple candidates and determine who is most qualified.

Mr. Carpenter then addressed the Board with his opinion that, given the amount of his land ownership in the District, his preference for the directorship should be given greater weight, as well as his belief that as a real estate developer in the District, he is entitled to fill a vacant board seat. Mr. Johnson interjected that he agreed with that premise, and addressed the Board in support of Mr. Carpenter's view. Director Hawkins asked for clarity on that issue, and Mr. Venema explained that the Board has the responsibility of filling the vacancy by a vote, and that Mr. Carpenter did not have authority to unilaterally select or appoint any board members. No action was taken on the appointment of Mr. Cunningham.

7. With regard to Agenda Item No. 9 (executive session): At or about 2:00 p.m., the Board recessed into executive session. The executive session was attended by all four current Directors; Mr. Dukes; Mr. Alcott; Mr. Johnson; Mr. Nicolas; Mr. Venema; Ms. Freel; Mr. Miller; Mr. Carpenter (for part of the executive session); and Mr. Zayas (for part of the executive session). The executive session was had to deliberate and consult with attorneys about the matters set forth in Agenda Item No. 9, specifically: (a) the proposed acquisition of an approximately 37-acre tract of land for use in relation to the District; (b) the proposed annexation and imposition of sales tax for all or part of the District-owned 4- and 7-acre tracts of land located near the District (together with the HICAM facility situated on the 7-acre tract); (c) proposed internal governance rules, policies, and procedures for the District, specifically, the "Rules of Governance of SH130

Municipal Management District No. 1”, “Contract Review and Approval Policy of SH130 Municipal Management District No. 1”, and “Signature Authorization Policy of SH130 Municipal Management District No. 1” tentatively dated and effective as of July 17, 2024 (collectively, “**Internal Governance Documents**”); (d) the June 2024 open records request from the Office of Representative Gary Gates; (e) lease of office space for the District at current and proposed locations and related negotiations with lessors; and (f) negotiation of potential modification of “Oversight and Compliance Management Services Agreement” with Affordable Housing Compliance Services, LLC.

The executive session adjourned at or about 3:26 p.m., at which time Director Krusee announced that the Board would reconvene in public session, and then the Board took the following action:

A. Regarding the 37-acre tract, on motion made by Director Krusee, seconded by Director Walker, and having received unanimous Board approval: a special committee comprised of Directors Walker and Hawkins will explore the District’s potential financing of the purchase of the 37-acre tract and report back to the Board in a reasonable time frame.

B. Regarding the Internal Governance Documents, Director Walker moved to adopt effective immediately the “Rules of Governance of SH130 Municipal Management District No. 1” dated and effective as of July 17, 2024 (“**Rules of Governance**”) as drafted, but with the following modifications: (1) the appointment of a “Vice-Chairperson” to serve on the Board as a backup to the “Chairperson” in the event the Chairman is absent or unwilling or unable to discharge his or her duties as Chairperson; (2) the ability to delegate the duties of an Officer to a substitute Officer if such Officer is unwilling or unable to discharge his or her duties in that role; and (3) the removal of Section 1.05 of the Rules of Governance.

Director Walker further moved to approve the “Contract Review and Approval Policy of SH130 Municipal Management District No. 1” dated and effective as of July 17, 2024 (“**Contract Policy**”) and the “Signature Authorization Policy of SH130 Municipal Management District No. 1” dated and effective as of July 17, 2024 (“**Signature Policy**”) as drafted.

Director Walker advised the Board that the governance documents were sorely needed, and voiced his disappointment that the Board did not demonstrate immediate consensus on the adoption of the Internal Governing Documents. As the Board discussed further, Mr. Nicolas urged the Board to go forward with a vote on the Internal Governing Documents, emphasizing the fundamental need for the District to have rules, policies, and procedures that govern the operation of the District and internal management. Following this discussion, Directors Krusee, Walker, and Talley each voted to adopt the Internal Governing Documents in the manner proposed by Director Walker in his above-described motions. Director Hawkins abstained from the vote. Thus, the resolution passed by the required majority.

8. With regard to Agenda Item Nos. 11 and 12: There being no additional business to conduct, with the date of the next regular meeting of the Board tentatively scheduled for

Wednesday, August 14, 2024 (instead of the previously proposed Friday, August 16, 2024), upon motion by Director Krusee, seconded by Director Talley, and unanimously approved, the Board adjourned the meeting at or about 3:55 p.m.

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APPROVED AND ADOPTED on this 21 day of August, 2024.



SH130 Municipal Management District No. 1

By: 

Print Name: AUSTIN M. TALLEY

Title: SEC - Bd