

MINUTES
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

March 1, 2011

The Board of Directors (the "Board") of Brazoria County Municipal Utility District No. 26 (the "District") met in regular session, open to the public, on the 1st day of March, 2011, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Michael Parks	President
Chris Jones	Vice President
Melissa Slade	Secretary
Caralynn Prade	Assistant Vice President
Herbert Fain	Assistant Secretary

and all of the above were present except Director Slade, thus constituting a quorum.

Also present at the meeting were Rick King of MMD Consulting LLC ("MMDC"); James Ross of LJA Engineering & Surveying, Inc.; Erin Garcia of Myrtle Cruz, Inc.; David Patterson of Assessments of the Southwest, Inc.; and Lynne B. Humphries and Rebecca Clark of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the January 4, 2011, and February 9, 2011, regular meetings and the February 3, 2011, special meeting, which were provided in advance of the meeting. After review and discussion, Director Jones moved to approve the minutes as submitted. Director Prade seconded the motion, which passed unanimously.

SUPPLEMENTAL SECURITY SERVICES

Director Parks reported that he has received positive feedback from several District residents regarding the supplemental security services.

ENGAGEMENT OF COMPANY TO CONDUCT ARBITRAGE REBATE STUDY FOR SERIES 2006 BONDS

Ms. Humphries presented a proposal from OmniCap Group, LLC to perform arbitrage rebate and yield restriction compliance services related to the District's Series 2006 Bonds. Following review and discussion, Director Jones moved to approve the

proposal from OmniCap Group, LLC for the Series 2006 Bonds. Director Prade seconded the motion, which carried unanimously.

RENEWAL OF INSURANCE POLICIES

Ms. Humphries presented proposals received from HARCO Insurance Services/TML ("HARCO/TML"), the District's current provider, and Highpoint Insurance Group, LLC for renewal of the District's insurance policies, which expire on March 19, 2011. The Board reviewed a comparison chart and the summary pages included in the proposals. Discussion ensued regarding the differences in premiums and coverage. After review and discussion, Director Jones moved to renew the District's insurance policies with the current provider, HARCO/TML. Director Prade seconded the motion, which carried unanimously.

ANNUAL REPORT

Ms. Humphries reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the bond resolutions. She stated that the District is required to file certain financial and operating data with the Municipal Securities Rulemaking Board through the Electronic Municipal Market Access System in compliance with SEC Rule 15c2-12, and with the Municipal Advisory Council of Texas, the State Information Depository. Ms. Humphries stated that the District's Official Statement for the Series 2011 Bonds will be filed with the Annual Report and that the deadline for filing such information is March 31, 2011. Following review and discussion, Director Jones moved to approve the Annual Report to be filed in compliance with the continuing disclosure provisions contained in the bond resolutions and direct that the Annual Report be filed appropriately and retained in the District's official records. Director Prade seconded the motion, which passed unanimously.

DEVELOPMENT IN THE DISTRICT, APPROVAL OF ANY DEVELOPER REIMBURSEMENT REPORTS, AND DISBURSEMENT OF FUNDS

Mr. Ross reported that Sam's Club is being built at the corner of Discovery Bay and Highway 288. He noted that Sam's Club is in Shadow Creek Ranch, but it is not in either municipal utility district.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Garcia distributed and reviewed the bookkeeper's report, including the investment report and list of checks presented for approval, a copy of which is attached. She noted that check no. 2535 to Officer Boyer would appear on next month's report.

Ms. Garcia next discussed the District's fund balances and reviewed an investment recommendation for certificate of deposit purchases with District funds to earn a higher interest rate than the District is currently earning with TexPool.

The Board considered appointing Ms. Garcia as the District's new Investment Officer since the District's prior bookkeeper served as Investment Officer. Ms. Humphries presented a Resolution Appointing Investment Officer for the Board's consideration.

Ms. Humphries stated that in accordance with the District's Investment Policy, Ms. Garcia, as the District's bookkeeper and Investment Officer, is required to execute a statement that discloses any relationships with banks and brokers who seek to sell investments to the District. She added that the disclosure statement will be filed with the Texas Ethics Commission. Ms. Garcia presented the executed disclosure statements for the Board's consideration.

Ms. Humphries stated that Exhibit A to the District's Depository Pledge Agreements with Wells Fargo Bank and Compass Bank must be updated to reflect the District's new bookkeeper and Investment Officer as authorized persons to handle District funds. She presented the amended exhibits for execution and consideration.

The Board then conducted its annual review of the District's Investment Policy and concurred it was not necessary to amend the current Investment Policy dated March 12, 2003. Ms. Humphries presented a Resolution Regarding Annual Review of Investment Policy, reflecting no changes to the current Investment Policy.

Ms. Humphries next presented a Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions to update the list of qualified banks with which the District may invest funds. She noted that the District's bookkeeper provided the updated list of banks, which is attached as Exhibit A to the Resolution.

After review and discussion, Director Jones moved to approve the bookkeeper's report, payment of the bills, and authorize investment of the District's funds, as recommended, adopt the Resolution Appointing Investment Officer to appoint Ms. Garcia as the District's Investment Officer, accept the disclosure statement pursuant to the District's Investment Policy and the Public Funds Investment Act, adopt the Resolution Regarding Annual Review of Investment Policy, adopt the Resolution Establishing the Authorized Depository Institutions and Adopting List of Qualified Broker/Dealers with Whom the District May Engage in Investment Transactions, and direct that such documents be filed appropriately and retained in the District's official records. Director Prade seconded the motion, which passed unanimously.

COMMENTS FROM DIRECTORS AND THE PUBLIC

Mr. King introduced himself to the Board and discussed the services provided by MMDC, which include mowing. He said that he lives in the City of Pearland.

ASSOCIATION OF WATER BOARD DIRECTORS CONFERENCES

The Board discussed the Association of Water Board Directors ("AWBD") winter conference. Ms. Garcia stated that the receipts submitted by Directors Jones and Prade were in compliance with the District's Travel Reimbursement Guidelines. The other Directors said they would submit their AWBD expenses to Ms. Garcia for consideration at next month's meeting. The Board next considered authorizing attendance at the AWBD summer conference in Fort Worth. Following review and discussion, Director Jones moved to approve reimbursement of eligible Directors expenses from the winter conference, in accordance with the District's Travel Reimbursement Guidelines, and authorize any interested Directors to attend the summer conference in Fort Worth. Director Prade seconded the motion, which passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Patterson distributed and reviewed the tax assessor/collector's report, including the delinquent tax roll, a copy of which is attached. He next presented a delinquent tax report from Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is included in the tax assessor/collector's report. Mr. Patterson noted that SCR C24 is in bankruptcy.

Mr. Patterson reviewed a letter from Ms. Wang, a District resident, requesting a waiver of penalty and interest on her delinquent tax bill due to the death of her husband. He said she acknowledged that the payment was made late.

Mr. Patterson reviewed a letter from Rachel Law requesting a waiver of penalty and interest due to United State Postal Service ("USPS") loss or misdelivery of the original payment. He noted that Ms. Law provided documentation showing the check was written and sent but did not reach the tax office.

Mr. Patterson noted that the Tax Code does not allow the District to waive penalties and interest on delinquent accounts unless the District finds that an error by the District or an agent of the District caused the payment to be delinquent. Discussion ensued and the Board concurred that a waiver in Ms. Law's case was merited because the USPS is the District's agent for delivery of the tax payments.

After review and discussion, Director Jones moved to approve the tax assessor/collector's report, the delinquent tax report, to approve waiver of the penalty and interest per Ms. Law's request, and deny the request from Ms. Wang. Director Prade seconded the motion, which passed unanimously.

RESOLUTION CONCERNING TAX COLLECTION PROCEDURES AND
RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

Ms. Humphries reviewed a Resolution Concerning Tax Collection Procedures with the Board. She stated that the Property Tax Code establishes optional procedures relating to the collection of property taxes. Ms. Humphries added that the collection procedures require official action by the governing body of the taxing unit prior to implementation. She then reviewed the optional tax collection procedures, including refraining from sending out tax bills that are less than \$15.00, allowing for the split payment of taxes, and allowing a discount for early payment of taxes.

Ms. Humphries next reviewed a Resolution Concerning Exemptions from Taxation with the Board. She reviewed the optional exemptions, including a general residential homestead exemption, an exemption of charitable organizations, an exemption of travel trailers, and a homestead exemption for disabled persons or persons over 65 years of age. Ms. Humphries noted that the District granted a general homestead exemption of 20%, but not less than \$5,000, and an additional \$10,000 homestead exemption for disabled persons or persons over 65 years of age for the previous tax year.

After review and discussion, Director Jones moved to adopt the Resolution Concerning Tax Collection Procedures, reflecting that the Board of Directors rejects all of the optional procedures for the current and future tax years unless otherwise determined by the Board, adopt the Resolution Concerning Exemptions from Taxation, reflecting that the Board rejects any exemption of charitable organizations and travel trailers from ad valorem taxation, grants a general homestead exemption of 20%, but not less than \$5,000, and grants a \$10,000 homestead exemption for disabled persons or persons over 65 years of age, and direct that the Resolutions be filed appropriately and retained in the District's official records. Director Prade seconded the motion, which passed by unanimous vote.

WEBSITE PROPOSALS

The Board continued discussions from the prior meeting regarding the possibility of establishing a District website in response to requests from District residents. The Board considered the three proposals for creation and maintenance of a website that were provided to the Directors at last month's meeting and an additional unsolicited proposal that was subsequently received. The Board reviewed an updated chart comparing the proposals. Discussion ensued regarding the proposals to create a website that the District would maintain and update versus the proposals to create and maintain a website on behalf of the District. The Board then considered the information that would be posted on the District's website. After review and discussion, Director Jones moved to engage Off Cinco to create and maintain a website for the District and

authorize Directors Parks and Prade to approve the website prior to going live. Director Prade seconded the motion, which carried unanimously.

Ms. Humphries noted that Brazoria-Fort Bend Municipal Utility District No. 1 ("BFB1") may be interested in sharing some costs for the website. The Board concurred that Ms. Humphries should ask BFB1 if they would like to participate in the website, and if so, the website should be joint. The Board agreed that Director Prade and Parks should help select the name for a joint website, if there is one.

PUBLICATION OF INFORMATION ABOUT THE DISTRICT

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Area Community Newsletter and the homeowners association newsletter, *The Current*. After discussion, the Board directed ABHR to prepare the standard notice regarding District meetings, including a note directing any persons wishing to attend a District meeting to contact ABHR to verify the date, time, and location of the meeting, and to publish the District's web address once it goes live.

ENGINEERING MATTERS

Mr. Ross distributed and reviewed the engineering report, a copy of which is attached. He noted there were no action items for the Board's consideration.

SALE OF DISTRICT'S \$3,225,000 UNLIMITED TAX BONDS, SERIES 2011

Ms. Williams distributed and reviewed a bid summary reflecting the five bids received for the District's \$3,225,000 Unlimited Tax Bonds, Series 2011 (the "Series 2011 Bonds"). A copy of the bid summary is attached. She noted that all of the bidders purchased insurance. Ms. Williams said the bids were verified for accuracy and that good faith checks were submitted by all of the bidders. She recommended that the Board accept the bid with the lowest net effective interest rate of 3.079795% submitted by SAMCO Capital Markets.

Ms. Humphries reviewed the Resolution Authorizing Issuance of the District's Series 2011 Bonds. She next reviewed the Paying Agent/Registrar Agreement between the District and Wells Fargo Bank.

Ms. Williams stated that the Preliminary Official Statement will be updated to include information regarding the sale of the Series 2011 Bonds. Ms. Humphries said it will be necessary for the President and the Secretary of the Board to sign documents relating to the sale of the District's Series 2011 Bonds, and for the attorney to submit a transcript of the bond proceedings to the Attorney General of Texas. Ms. Humphries added that the financial advisor also will take necessary action in connection with the delivery of the Series 2011 Bonds to the purchaser.

Ms. Humphries stated that the Texas Water Code requires the District to file an Amendment to Information Form with Brazoria County and with the Texas Commission on Environmental Quality providing notice of the bonds issued by the District. She presented and reviewed the Amendment to Information Form reflecting the sale of the Series 2011 Bonds.

Ms. Humphries stated that the auditor will attend next month's meeting to present a developer reimbursement report for the Series 2011 Bonds, which are scheduled to close the day after the District's April meeting date.

After review and discussion, Director Jones moved to take the following action: (1) award the sale of the District's Series 2011 Bonds to SAMCO Capital Markets, whose bid contained the lowest net effective interest rate; (2) adopt the Resolution Authorizing Issuance of the Series 2011 Bonds; (3) approve the Paying Agent/Registrar Agreement with Wells Fargo Bank; (4) approve the Official Statement; (5) authorize the Board of Directors to sign the documents relating to the bond sale; (6) authorize the attorney and financial advisor to take all necessary action to deliver the bonds to the purchaser; and (7) authorize execution and filing of the Amendment to Information Form. Director Prade seconded the motion, which passed by unanimous vote.

SCHEDULE AND LOCATION FOR DISTRICT BOARD MEETINGS

Ms. Humphries reviewed correspondence received after last month's "town hall" meeting from Santana Gonzales, a resident of the District, indicating he was unable to attend the "town hall" meeting and that the intent of the petition submitted by he and other residents was for the District to hold all of its meetings in the District more often than quarterly. She reviewed the State law related to resident petitions for in-district meetings. Discussion ensued regarding the schedule and location for District Board meetings and convenience to members of the public and residents, especially since all five Directors are residents. The Board also discussed the availability of the Directors and consultants to attend meetings in the District in the evenings. After review of the law and discussion, Directors Prade, Jones, and Parks concurred to continue the schedule of quarterly meetings in the District as previously determined by the Board. Director Fain did not concur on this matter. Director Parks noted that the next in-District meeting will occur on Tuesday, May 3, 2011, at 11:30 a.m. at the Hilton Garden Inn. The Board directed ABHR to provide Mr. Gonzales with a schedule of the District's upcoming meetings.

COMMENTS FROM DIRECTORS AND THE PUBLIC

Director Jones presented a letter of resignation from the Board, effective April 6, 2011. He said he enjoyed serving the residents of the District, but is unable to continue the time commitment due to his job requirements. Director Jones said his resignation is effective as of the date of the closing of the District's Series 2011 Bonds to avoid any

unnecessary costs to amend bond documentation as a result of his resignation. Director Jones recommended that the Board consider Stephen Collett as his replacement and gave a brief background on Mr. Collett. The Board determined to consider the process for appointing a new director to replace Director Jones at the appropriate time, after its effective date when the matter is on the agenda. Ms. Humphries said an item will be added to next month's agenda for the Board to consider accepting Director Jones's resignation and establishing a process for soliciting resumés from interested qualified residents.

There being no further business to come before the Board, Director Prade moved to adjourn the meeting. Director Jones seconded the motion, which passed unanimously.



Carbert Qui
Ass't Secretary, Board of Directors

ACTION LIST

1. The attorney will provide Mr. Gonzales with a schedule of District meetings.
2. The attorney will discuss the website with BFB1.
3. Directors Prade and Parks will work to get the website live.
4. The attorney will prepare the discussed notice for publication in the newsletters.

LIST OF ATTACHMENTS TO MINUTES

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