

MINUTES
BRAZORIA-FORT BEND COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

March 1, 2013

The Board of Directors (the "Board") of Brazoria-Fort Bend County Municipal Utility District No. 1 (the "District") met in regular session, open to the public, on the 1st day of March, 2013, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Michael D. Rozell	President
Geoffrey Pope	Vice President
Terry Ruiz	Secretary
Karri Axtell	Assistant Vice President
Jalene Palmer	Assistant Secretary

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

Also present at the meeting were Rick Hale of Perry Homes ("Perry"); Mark McGrath of McGrath & Co., PLLC; David Patterson of Assessments of the Southwest, Inc.; Erin Garcia of Myrtle Cruz, Inc. ("MCI"); James Ross of LJA Engineering, Inc. ("LJA"); Rod Simpson of the Shadow Creek Ranch Maintenance Association; and Lynne B. Humphries and Michelle Bryan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the February 1, 2013, regular meeting, which were provided in advance of the meeting. After review and discussion, Director Axtell moved to approve the minutes of the February 1, 2013, meeting, as submitted. Director Palmer seconded the motion, which passed unanimously.

ANNUAL REPORT

Ms. Bryan reviewed the District's 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 15c12-12 and with the Municipal Advisory Council of Texas, the State Information Depository, by March 31, 2013. Following review and discussion, Director Palmer 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 Pope seconded the motion, which passed unanimously.

SECURITY SERVICES REPORT

The Board reviewed the monthly security report.

Ms. Bryan presented a Second Amendment to the Security Patrol Services Agreements with each patrol officer for security patrol within the District and Brazoria County Municipal Utility District No. 26 ("MUD 26") (collectively, the "Districts") and a Second Amendment to Security Patrol and Coordination Services Agreement with Officer Pratt (collectively, the "Security Agreements"). She stated the Security Agreements need to be amended to provide twice monthly payments to the officers and to delete the provisions that the officers are not employees of the Districts, since federal tax law requires the Districts to treat the officers as employees for taxation purposes. Following review and discussion, Director Axtell moved to approve the Second Amendment to the Security Patrol Services Agreements with each patrol officer and the Second Amendment to Security Patrol and Coordination Services Agreement with Officer Pratt and direct that the Security Agreements be filed appropriately and retained in the District's official records. Director Ruiz seconded the motion, which carried unanimously.

REPORT ON DEVELOPMENT

Mr. Hale reported on development in the District.

Mr. McGrath presented and reviewed a Developer Reimbursement Report for the purpose of verifying the amount to be reimbursed to RH of Texas Limited Partnership and Meritage Homes for water and wastewater impact fees paid to the City of Pearland (the "City"). He stated the reimbursement is being paid from proceeds of the District's \$4,000,000 Unlimited Tax Bonds, Series 2009. After review and discussion, Director Palmer moved to: (1) approve the Developer Reimbursement Report; (2) authorize disbursement of funds to reimburse RH of Texas Limited Partnership and Meritage Homes in the respective amounts of \$21,376 and \$13,360, pursuant to the Developer Reimbursement Report, contingent on receipt of executed Receipts; and (3) direct that the Developer Reimbursement Report and Receipt be filed appropriately and retained in the District's official records. Director Axtell seconded the motion, which was approved by unanimous vote.

REQUEST FROM DEVELOPER FOR ANNEXATION

Mr. Ross stated that he will proceed with a feasibility study of the 35-acre tract of land at the southwest corner of the Shadow Creek Ranch area once the District received a \$10,000 deposit from Development Consultants, Inc. No action was necessary.

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 noted that the 2012 taxes were 97.90% collected as of February 28, 2013. After review and discussion, Director Pope moved to approve the tax assessor/collector's report and payment of the tax bills. Director Ruiz seconded the motion, which passed unanimously.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board considered adopting a Resolution Concerning Exemptions from Taxation. Ms. Bryan reviewed the optional exemptions, including a general residential homestead exemption, an exemption of travel trailers, and a homestead exemption for disabled persons or persons over 65 years of age. After review and discussion, Director Axtell made a motion to adopt a Resolution Concerning Exemptions from Taxation, reflecting that the Board rejects any exemption of residential homesteads, and travel trailers from ad valorem taxation, and direct that the Resolution be filed appropriately and retained in the District's official records. Director Palmer seconded the motion, which passed unanimously.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. Garcia distributed and reviewed the bookkeeper's report, including the investment report, budget comparison, and list of checks presented for approval, a copy of which is attached. After review and discussion, Director Axtell moved to approve the bookkeeper's report and payment of the bills. Director Ruiz seconded the motion, which passed unanimously.

BOOKKEEPER BILLING MATTERS AND AMENDED AND RESTATED BOOKKEEPER SERVICES AGREEMENT

Ms. Garcia presented and discussed a letter to the Board, a copy of which is attached. She stated that MCI has historically not maintained written documentation of time spent on services related to hourly rate work on non-recurring services such as work associated with bond issues, bond anticipation notes and surplus funds applications ("Non-Recurring Services") under the existing services agreement between MCI and the District. She also stated that in the past MCI has billed such services to the District based on time estimates provided by MCI bookkeepers, without corresponding

written support. Mr. McGrath stated from an auditing standpoint, estimated time and lack of written backup is not satisfactory. Discussion ensued.

Ms. Garcia also presented and reviewed an Amended and Restated Bookkeeper Services Agreement (the "Amended Agreement"). She stated that the Amended Agreement includes flat fees for the various Non-Recurring Services, which services had been previously billed at an hourly rate, and she reviewed the schedule of flat fees. Following review and discussion with the auditor and Ms. Garcia, Director Pope moved to approve the Amended and Restated Bookkeeper Services Agreement with MCI and direct that the Amended Agreement be filed appropriately and retained in the District's official records. Director Palmer seconded the motion, which carried unanimously.

ENGINEERING MATTERS

Mr. Ross distributed and reviewed the engineer's report, a copy of which is attached.

Mr. Ross updated the Board on the construction of Lakes 1 and 2 to serve Southlake, formerly known as Shadow Creek Ranch Village 7. He recommended approval of Pay Estimate No. 4 in the amount of \$376,511.62, payable to Longhorn Excavators, Inc. ("Longhorn").

Mr. Ross updated the Board on the construction of the water, sanitary sewer, and drainage facilities to serve Southlake, Phase I. He recommended approval of Pay Estimate No. 4 in the amount of \$26,115.79, payable to Monarch Civil Constructors, L.L.C. ("Monarch").

Mr. Ross updated the Board on the construction of the water, sanitary sewer, and drainage facilities to serve Southlake SF-1, formerly known as Shadow Creek Ranch SF-71. He recommended approval of Pay Estimate No. 2 to Hurtado Construction Company ("Hurtado") in the amount of \$198,426.51.

Mr. Ross stated that LJA will continue to follow-up with the City to confirm that MUD 26's report on the results of the inspection of MUD 26 detention lakes and channels and other facilities maintained by the City is reviewed and considered during the City's budget process.

Mr. Ross stated that LJA is in the process of preparing construction plans for the repair of the detention pond side slopes.

Ms. Humphries reviewed a proposal from Jones-Heroy & Associates, Inc. ("Jones-Heroy") to prepare bond application no. 6 in the lump sum of \$35,000. She noted that Jones-Heroy prepared the District's five prior bond applications.

Mr. Ross stated that LJA is working with the City to obtain the records of impact fee payments within the District.

Following review and discussion, Director Axtell moved to: (1) approve the engineer's report; (2) approve payment of Pay Estimate No. 4 in the amount of \$376,511.62, payable to Longhorn in connection with the construction of Lakes 1 and 2 to serve Southlake; (3) approve payment of Pay Estimate No. 4 in the amount of \$26,115.79, payable to Monarch in connection with the construction of the water, sanitary sewer, and drainage facilities to serve Southlake, Phase I; (4) approve payment of Pay Estimate No. 2 in the amount of \$198,426.51, payable to Hurtado in connection with the construction of the water, sanitary sewer, and drainage facilities to serve Southlake SF-1; (5) authorize preparation of bond application no. 6; and (6) engage Jones-Heroy to prepare bond application no. 6 in the lump sum of \$35,000. Director Pope seconded the motion, which carried unanimously.

RECREATIONAL FACILITIES IN AND NEAR THE DISTRICT

Ms. Humphries stated that Director Fred Weary of MUD 26 is scheduling an appointment with the City Parks Director, Michelle Smith, and the City Manager, Bill Eisen, to receive an update on the status of the Shadow Creek Ranch Sports Complex.

AUTHORIZE RENEWAL OF INSURANCE POLICIES

Ms. Humphries presented a proposal received from HARCO Insurance Services/TML ("HARCO/TML"), the District's current provider, for renewal of the District's insurance policies, which expire on March 17, 2013. After review and discussion, Director Palmer moved to renew the District's insurance policies with the current provider, HARCO/TML. Director Ruiz seconded the motion, which carried unanimously.

ARTICLES FOR NEWSLETTERS AND WEBSITE

The Board considered information to be included in the District's monthly notice published in the Shadow Creek Community Newsletter; the newsletter, *The Connection*; and the District's website. After review and discussion, the Board directed ABHR to prepare a notice with the standard monthly message directing residents to the website for information about District meetings, including information on the Pearland Police Department Honor Guard's previous request for donations relating to officers' participation in National Police Week.

REPORTS FROM DIRECTORS AND DISTRICT CONSULTANTS

There were no reports from Directors or District consultants.

COMMENTS FROM THE PUBLIC

Mr. Simpson stated that the annual Kemah Crawfish Festival will be held on commercial property in Shadow Creek Ranch off of State Highway 288. He stated that certain proceeds from the Festival will be donated to the new City library in Shadow Creek Ranch.

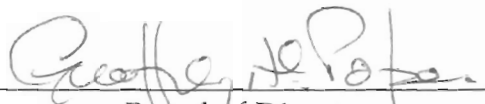
DATE, TIME, AND LOCATION FOR NEXT DISTRICT MEETING

The Board agreed the next meeting will be on April 5, 2013, at 12:00 p.m., at ABHR.

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

(SEAL)




Secretary, Board of Directors

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