

MINUTES  
BRAZORIA COUNTY MUNICIPAL UTILITY DISTRICT NO. 26

January 4, 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 4th day of January, 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 Directors Parks and Fain, thus constituting a quorum.

Also present at the meeting were Terry Ruiz, a resident of Brazoria-Fort Bend County Municipal Utility District No. 1 ("MUD 1"); Marie Ferguson, a resident of the District; Brett Beardsley of Charter Development Partners, Inc.; James Ross of LJA Engineering & Surveying, Inc.; Pamela Logsdon of AVANTA Services; David Patterson of Assessments of the Southwest, Inc.; and Angie Lutz and Kristen Hogan of Allen Boone Humphries Robinson LLP ("ABHR").

MINUTES

The Board considered approving the minutes of the December 7, 2010, regular meeting, which were provided in advance of the meeting. Director Prade presented a correction to the minutes. After review and discussion, Director Prade moved to approve the minutes as corrected. Director Slade seconded the motion, which passed unanimously.

SUPPLEMENTAL SECURITY SERVICES

The Board concurred to table this item, pending a report from Director Parks.

EXPIRATION OF INSURANCE POLICIES

Ms. Lutz stated that the District's insurance policies with HARCO Insurance Services/TML ("HARCO/TML") expire on March 19, 2011. After discussion, the Board

directed ABHR to request a renewal proposal from HARCO/TML and proposals from two additional insurance providers for consideration.

#### AUDIT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2010

Ms. Lutz said the auditor indicated that the draft audit for the fiscal year ended September 30, 2010, will be presented at next month's meeting. Director Jones requested that the draft audit be sent to the Board for review in advance of the meeting.

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

The Board reviewed a reimbursement report prepared by the District's auditor, which reflects reimbursement owed to Westin Homes and Properties, L.P. and Little Caesar Enterprises Inc. in the amounts of \$95,092 and \$12,912, respectively, from Series 2008 surplus bond proceeds for water and wastewater impact fees paid to the City of Pearland. A copy of the impact fee reimbursement report is attached. After review and discussion, Director Prade moved to approve the impact fee reimbursement report and authorize disbursement of funds to Westin Homes and Properties, L.P. and Little Caesar Enterprises Inc. Director Slade seconded the motion, which passed unanimously.

#### TRAVEL REIMBURSEMENT GUIDELINES AND DIRECTOR EXPENSES FOR ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE

The Board reviewed the District's Travel Reimbursement Guidelines and discussed establishing travel guidelines for the upcoming Association of Water Board Directors winter conference in Galveston. Director Prade discussed instances where she will request the District to pay her hotel and expenses directly by issuing a check in advance, or otherwise. The Board concurred for Director Prade to submit any such requests for advance hotel or other conference expenses prior to the conference and to submit back-up receipts for all expenses to the District's bookkeeper following the conference. Director Prade said she does not intend to request an advance payment for the upcoming winter conference in Galveston. After review and discussion, the Board concurred (1) it was not necessary to amend the District's Travel Reimbursement Guidelines and (2) to authorize Director fees of office and reimbursement of eligible expenses for any director attending the Association of Water Board Directors winter conference, in accordance with the Travel Reimbursement Guidelines.

#### ANNUAL DISCLOSURE STATEMENTS

Ms. Lutz then stated that in accordance with the District's Investment Policy, Ms. Logsdon and Ms. Pam Lightbody, as the District's bookkeeper and Investment Officer, respectfully, are required to execute statements that disclose any relationships with

banks and brokers who seek to sell investments to the District. She added that the disclosure statements will be filed with the Texas Ethics Commission. Ms. Logsdon presented the executed disclosure statements for the Board's consideration. After review and discussion, Director Prade moved to accept the disclosure statements, pursuant to the District's Investment Policy and the Public Funds Investment Act, and direct that the disclosure statements be filed appropriately with copies retained in the District's official records. Director Slade seconded the motion, which passed unanimously.

#### FINANCIAL AND BOOKKEEPING MATTERS

Ms. Logsdon distributed and reviewed the bookkeeper's report, including the investment report and list of checks presented for approval, a copy of which is attached. After review and discussion, Director Prade moved to approve the bookkeeper's report and payment of the bills. Director Slade 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 attached to the tax assessor/collector's report. The Board discussed the outstanding taxes owed by SCR C24 Investments and the bankruptcy filing noted in the delinquent tax report. In response to questions from the Board, Mr. Ross said the taxes owed by SCR C24 Investments are for property at the northwest corner of Kirby and Broadway. Mr. Ross added that two of the SCR C24 Investments projects are included in the District's pending bond application. The Board discussed the possibility of withholding reimbursement from bond proceeds, pending payment of the delinquent taxes owed to the District. After review and discussion, Director Slade moved to approve the tax assessor/collector's report and the delinquent tax report. Director Prade seconded the motion, which passed unanimously.

#### 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.

## 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. Mr. Ross reported that the Texas Commission on Environmental Quality ("TCEQ") approved the District's bond application no. 6 in a reduced amount of \$3,225,000. He added that the approval includes a requirement for the District to escrow a portion of the Kirby at Broadway utilities, pending TCEQ receipt of TCEQ wastewater plan approval for the project. Mr. Ross said the engineer for the Kirby at Broadway project has received TCEQ wastewater plan approval for submittal to the TCEQ requesting the escrow requirement be rescinded. Ms. Lutz presented a letter to the TCEQ requesting release of the escrow requirement. She said Jones-Heroy & Associates, Inc. will submit the escrow release request on behalf of the District. After review and discussion, Director Prade moved to approve the engineer's report and authorize execution of the letter to the TCEQ requesting release of the escrow requirement associated with bond issue no. 6. Director Slade seconded the motion, which passed unanimously.

## PETITION RECEIVED TO MOVE MEETINGS WITHIN THE DISTRICT'S BOUNDARIES, RESOLUTION ESTABLISHING IN-DISTRICT MEETING PLACE(S) OF THE BOARD OF DIRECTORS OF THE DISTRICT, AND CONSIDERATION OF SCHEDULE AND LOCATION OF DISTRICT MEETINGS

Ms. Lutz reviewed correspondence to the Board from Lynne Humphries regarding State law related to resident petitions for in-district meetings. She discussed the response letter that was sent to Santana Gonzales, as instructed by the Board. Ms. Lutz then distributed and reviewed a summary of additional room rental and consultant expenses the District would incur for meetings held in the District, as requested by the Board. The Board discussed the date, time, and location for the February meeting to be held within the District. After review and discussion, the Board concurred to schedule the meeting for February 9, 2011, at 7:00 p.m., at the Hilton Garden Inn. Ms. Lutz presented a Resolution Establishing In-District Meeting Place of the Board of Directors of the District to establish the Hilton Garden Inn as a meeting place of the District. After review and discussion, Director Prade made a motion to adopt the Resolution and direct that it be filed appropriately and retained in the District's official records. Director Slade seconded the motion, which passed unanimously.

## COMMENTS FROM DIRECTORS AND THE PUBLIC

Ms. Ruiz introduced herself as a resident of MUD 1 in Shadow Creek Ranch. She said previously attended a MUD 1 meeting and that she attended today's meeting to observe as an interested resident of the Shadow Creek Ranch community. Ms. Ferguson introduced herself to the Board and said she attended today's meeting to observe as an interested District resident. She said she was unable to locate the

District's agenda at the Emerald Bay Recreation Center to determine the time and location of today's meeting. Ms. Lutz and Director Slade said they would look into the matter. Director Jones noted that the District includes notice of its meetings in the two monthly newsletters distributed to Shadow Creek Ranch residents, one of which is available online.

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



*Albert J. Asst*  
Secretary, Board of Directors

ACTION LIST

1. The attorney will request a renewal proposal from HARCO/TML and proposals from two additional insurance providers.
2. The auditor will send the draft audit to the Board in advance of next month's meeting.
3. The attorney will prepare the discussed notice for publication in the newsletters.
4. The attorney will look into the in-District agenda posting issue.

LIST OF ATTACHMENTS TO MINUTES

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