

RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Meeting of Board of Directors
December 10, 2012

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on December 10, 2012 at 312 Spring Hill Drive, Suite 100, West Entrance, Spring, Texas 77386, in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Jon Vallery, President
Frank Moore, Vice President
Michael Smith, Assistant Secretary
Paul Alli, Director

and the following absent:

Charles Saxe, Secretary.

Also present were Bill Russell, Mike Williams, Jason Hajduk, Drew Masterson, Lieutenants Atkins and Rodrigue, and Lori G. Aylett.

The President called the meeting to order and declared it open for such business as might regularly come before it.

1. Minutes of the meeting of November 12, 2012 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Lieutenant Atkins presented a law enforcement report and reported that there were 591 calls; 34 reports taken; no felony arrests; four misdemeanor arrests; 236 citations and tickets; no recovered property; and four charges filed. The constables drove a total of 6,877 miles in the District during the month. Lieutenant Atkins further reported that there had been one suicide, two attempted suicides and a shoplifting at Kroger.

3. Bill Russell presented a bookkeeper's report, a copy of which is attached. After this meeting, the debt service fund balance will stand at \$2,033,066.90. The capital projects fund will stand at \$1,423,667.68. After payment of tonight's bills, the operating fund will stand at \$1,513,180.80. Year-to-date revenues exceed expenditures for the first six months of the fiscal year by \$379,711.71. Upon unanimous vote, the Board approved payment of director fees and expenses. Upon unanimous vote by separate motion, the Board approved the bookkeeper's report as presented and authorized payment of the remainder of the District's bills.

4. Mike Williams presented an operator's report. The District billed \$292,385.83. The operator took 10 bacteriological samples, all of which were within acceptable limits. The District served 3,808 customers, and 3,582 customers received all services including garbage. The District accounted for 93% of the water produced. The sewage treatment plant operated at 70% of capacity with no permit violations. The operator requested write-off of two accounts totaling \$97.29. The operator repaired 19 leaks during the month and reported nine taps for the year.

Upon unanimous vote, the Board approved the operator's report and the write-offs as presented.

5. Mike Williams presented a parks and recreational facilities report. There were 18 calls regarding issues in the parks. Nine calls were for the pavilion, seven calls were for the ball fields, and two calls were for general information. The operator performed regular mowing and maintenance of facilities. The operator presented an estimate from Hays Electrical Services to replace an outlet at a cost of \$6,450. The operator was still waiting on a cost proposal for putting a plug on the exterior of the building and will contact another contractor to obtain this information.

Director Smith reported that he had walked Reserve B of Imperial Oaks Park, Section 10, and in his opinion the overgrown and unkept shrubs are keeping grass from growing on the tract. The grass would prevent erosion. The engineer and operator have agreed to review the situation and make a report and recommendation to the Board at the next meeting. The attorney confirmed that the District does own the reserve. The District will put an item on the next agenda for the Board's discussion and consideration, including a discussion of the District's duties and liabilities in conjunction with the tract.

Upon unanimous vote, the Board approved the parks and recreational facilities report as presented.

6. Jason Hajduk presented an engineer's report. Plans for the Phase I sanitary sewer rehabilitation are complete. At well no. 3, the punch list has been completed. The change order previously approved for installation of chlorination equipment and concrete steps as requested by the District operator was presented for Board signature.

At water plant no. 1 ground storage tank replacement and water plant no. 2 modifications, foundation construction is complete. The final steps of the replacement should be completed before the next Board meeting.

The wastewater treatment plant permit renewal application is complete. The engineer made the second publication on December 2. The permit should be approved by the TCEQ within the next 30 to 60 days.

7. Drew Masterson presented a financial advisor's report and a report on the potential for refunding of the District's outstanding bonds. Mr. Masterson reported that due to historic low interest rates, some of the District's outstanding debit could be refinanced at lower interest rates resulting in gross savings and net present value savings. For the District to take advantage of such an opportunity, the District would need to approve a Preliminary Official Statement, the offering document for the bonds. In addition, the District would have to appoint an underwriter and set parameters under which an official of the Board could act to approve and authorize the sale of the bonds. The City of Houston has ordinances governing the issuance of the refunding bonds, and the District must achieve present value savings of 3% to meet the City of Houston ordinances. Based upon current interest rates, the District could expect to achieve present value savings in the range of 5% to 8%. The financial advisor noted that it would be appropriate for the Board to authorize a District officer to act on the District's behalf in the

issuance, sale, approval and delivery of the bonds under terms and conditions set forth by the Board. The Board can establish parameters under which one of its officials will be authorized to act on behalf of the District. After discussion, upon unanimous vote, the Board authorized Paul Alli to act on the District's behalf in the issuance, sale, approval and delivery of the refunding bonds if the District can achieve a 5% present value savings.

The financial advisor noted that the District was required to select an underwriter. At the previous meeting, the District had made the preliminary selection of Southwest Securities as the District's underwriter. It was noted that Southwest Securities had bought the District's Series 2011 and Series 2012 bonds. Mr. Masterson presented a letter of disclosure from First Southwest regarding its relationship with Southwest Securities. While not a legal conflict of interest, First Southwest desired to disclose that its ultimate parent is Hilltop Holdings, Inc. On July 29, 2011, Hilltop extended a \$50 million term loan to SWS Group, Inc., which is the parent company of Southwest Securities, Inc. A copy of the disclosure letter is attached to these minutes and was reviewed by the Board in detail. The attorney confirmed that the disclosure did not reflect a legal conflict of interest but should be acknowledged, which the Board did. Upon unanimous vote, the Board selected Southwest Securities to act as the District's underwriter.

Mr. Masterson turned to the Preliminary Official Statement and reviewed it in detail with the Board of Directors. He noted that the document described the District and the proposed bonds in detail. The District will engage Grant Thornton as verification agent to verify the District's compliance with City of Houston ordinances and the amounts put on deposit in the escrow fund. The Preliminary Official Statement must describe the District accurately and must not omit anything that would be material to an investor. After a thorough review, upon unanimous vote, the Board approved the Preliminary Official Statement, the Official Statement, and the Notice of Refunding for the Series 2013 Refunding Bonds.

The attorney noted that it would be appropriate for the Board to designate District officers and directors authorized to act on behalf of the District in the issuance, sale, approval and delivery of the Series 2013 Refunding Bonds and to carry out all necessary acts and procedures, including but not limited to, entering into a Bond Purchase Agreement, entering into a Paying Agent/Registrar Agreement, entering into an Escrow Deposit Agreement, approving the Verification Agreement, adopting the City of Houston ordinance provisions regarding refunding, and evidencing such actions by the execution of an Approval Certificate. Upon unanimous vote, the Board authorized and designated the Board President and Secretary to act on its behalf subject to the parameters previously set forth, and the Board further authorized Paul Alli to execute the Bond Purchase Agreement and the Approval Certificate. The Board further authorized all its consultants to take any actions necessary to issue, sell, approve and deliver the bonds.

There was presented the attached Bond Order for the Series 2013 Refunding Bonds. The attorney explained the Bond Order to the Board. She noted that the Bond Order is the District's covenant with the bondholders. As such, the District covenants to levy a tax sufficient in rate and amount to pay the bonds when due, and the District covenants to maintain the tax exempt status of the Bonds. The District further promises to annually update certain financial information that is of interest to bondholders. The Bond Order contains the parameters under which Mr. Alli and the Board President and Secretary will be authorized to act on the

Board's behalf. Upon unanimous vote, the Board approved the Bond Order as presented.

There was presented the attached Order Authorizing Actions for Issuance, Approval, and Delivery of the Series 2013 Refunding Bonds. Upon unanimous vote, the Board adopted the Order as presented.

8. There was no developer present, so no developer's report was given. However, the Board noted that the Kroger Shopping Center is expanding.

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



Secretary