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RAYFORD ROAD MUNICIPAL UTILITY DISTRICT

Minutes of Special Meeting of Board of Directors
August 29, 2011

The Board of Directors ("Board") of Rayford Road Municipal Utility District ("District") met on August 29, 2011 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 All, Director

and the following absent

Charles Saxe, Secretary

Also present were Joseph Ellis, Brian Desilets, Bill Russell, Mike Williams, Drew Masterson, Herman I. Little, Jr and persons on the attached list

1 Drew Masterson addressed the Board and reported that four bids had been received for purchase of the District's Series 2011A Bonds. The bid of Sterne, Agee & Leach, Inc was the lowest and best bid with a net affective interest rate of 3.93119%. The purchaser will provide bond insurance issued by Assured Guarantee. All bids were verified for mathematical accuracy, and all were satisfactory. The bid is a very favorable bid, and Drew Masterson recommended that the Board accept the bid of Sterne, Agee & Leach, Inc.

2 Upon motion by Director Smith, seconded by Director All, the Board voted unanimously to adopt the Order Awarding Sale of Series 2011A Bonds, which order is attached to the minutes.

3 The Board reviewed a bond order for the Series 2011A bonds. Herman Little advised the Board of the terms of the bond order which is the financing agreement with all bondholders that contains covenants by the District to make timely payments on the bonds, to levy taxes adequate in rate and amount to pay the bonds and to take actions necessary to comply with U.S. Treasury Department regulations applicable to tax exempt bonds and regulations applicable to continuing disclosure of information by the SEC. Upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to adopt the Bond Order for Series 2011A Bonds, which order is attached to the minutes.

4 It was mentioned that the District will require the services of a paying agent/registrars for the Series 2011A bonds. Bank of New York Mellon Trust Company has agreed to serve as the paying agent/registrars, and a contract has been presented for approval by the Board. Upon motion by Director All, seconded by Director Smith, the Board voted unanimously to approve and authorize signing the Paying Agent/Registrar Agreement for Series 2011A Bonds with Bank of New York Mellon Trust Company as presented.

5. It was mentioned that the District will issue a final Official Statement for the Series 2011A Bonds. The financial advisor will complete the document in final form with information applicable to the bonds resulting from the winning bid, including the interest rates, maturities and yields on the bonds. Upon motion by Director Smith, seconded by Director Moore, the Board voted unanimously to approve preparation and distribution of the Official Statement for the Series 2011A Bonds.

6. Upon motion by Director All, seconded by Director Moore, the Board voted unanimously to adopt a Resolution Authorizing Actions for Approval, Registration and Delivery of Series 2011A Bonds

7. It was mentioned that the Texas Commission on Environmental Quality had required that certain bond proceeds be held in escrow pending approval by the TCEQ staff of documents related to the project. The escrow of funds will apply to the water transmission line that will deliver water from Well No 3 to Water Plant No 2. Upon motion by Director Moore, seconded by Director Smith, the Board voted unanimously to adopt the Order for Escrow of Funds from the Series 2011A Bonds, which order is attached to the minutes.

8. Joseph Ellis and Brian Desilets addressed the Board and presented the audit report for the fiscal year ended May 31, 2011. The auditor is issuing an unqualified opinion. The auditors reviewed the management discussion and analysis that is the Board's representation of the District's financial condition. The auditors then reviewed the balance sheet and statement of income and expenses and reported that the District had expenditures of \$318,800 over revenues in the general fund during the year. With a deposit of funds transferred from the capital projects fund, the deficit was reduced to \$94,798 of expenses over revenues. The auditors reviewed various tables and schedules contained in the report together with a five-year analysis of the District's performance in the general fund and the debt service fund and notes applicable to the financial statements. After discussion, upon motion by Director Moore, seconded by Director All, the Board voted unanimously to approve the audit report and to authorize completion and filing of the audit report with the TCEQ as required by law.

9. At 7:25 p.m. the Board convened in a public hearing to discuss the proposed 2011 tax rate. It was mentioned that the Board had approved the proposed tax rate at a meeting held earlier in the month, and a notice of this public hearing with calculations of comparisons of 2010 tax rate with the proposed 2011 tax rate had been published in the newspaper as required by law. There was discussion of the tax rate for debt service, which will increase by \$0.03 to meet requirements of the TCEQ applicable to the Series 2011A bond issue. The maintenance tax rate will remain the same as in the prior year. There was further discussion of the debt service tax rate. Drew Masterson inquired as to whether the Board desired to obtain TCEQ approval of a lower debt service tax rate that would be justified by the favorable bid on the bonds. There was discussion, and the Board concluded that the tax rate would be approved as previously determined, and if there is an opportunity to reduce the tax rate for 2012, the Board will take advantage of that opportunity. After further discussion, the public hearing was closed at 7:30 p.m.

10. The Board reviewed an Order Accepting Appraisal Roll and Levying Tax for 2011. Upon motion by Director Moore, seconded by Director All, the Board voted unanimously to adopt the Order Accepting Appraisal Roll and Levying Tax for 2011, which order is attached to the minutes.

11. The Board then reviewed and unanimously approved an Amendment of Statement of Directors reflecting the issuance of the Series 2011A Bonds and the tax rate for 2011 that has been approved by the Board.

12. There was discussion of the District's claim for damage to District facilities by DIGCO in December, 2010. Herman Little advised the Board of a settlement offer that has been presented by attorneys representing DIGCO that would enable the District to receive \$50,000 as full and final settlement of the claim. After discussion, upon motion by Director Moore, seconded by Director All, the Board voted unanimously to approve the offer of settlement presented by DIGCO and authorize the attorney to give notice to the attorneys for DIGCO of the Board's approval.

13. There was discussion of water line easements that are required for the water line to deliver water from Well No 3 to the Water Plant No 2 site. Herman Little presented documents that reflect easements required on land owned by the District. Similar easements will be required from the Imperial Oaks Park Property Owners Association and a developer on property owned by those parties. After discussion, upon motion duly made, seconded and unanimously carried, the Board approved the water line easements and authorized signing the easements by the president as presented.

14. Mike Williams addressed the Board and reported that the District is very close to a crisis in the water supply system. Earlier in the day, the water pressure fell to 25 psi. The District had nine crews in the field looking for main line leaks, and no leaks were identified. The explanation for high water consumption was simply extreme usage by District customers. It was mentioned that many houses in the District were observed not in compliance with the District's mandatory Stage 1 Drought Contingency Measures that require restrictions on outdoor water use. Mike Williams advised the Board that it is not desirable to implement the Stage 2 Drought Contingency Measures under the circumstances because the District has not yet exceeded 18 hours per day of operation of the water plants, but it is extremely important that the Board obtain cooperation from District customers to make substantial reductions in outdoor water usage.

Mike Williams advised the Board that he had contacted Susan Jones with the POA and requested that irrigation of esplanades in the District be curtailed temporarily. All other outdoor water use by the POA should be reduced substantially to assist the District. There followed a discussion on measures to be taken by the Board to require compliance by District customers.

Herman Little advised the Board of procedures that are available in the District's Drought Contingency Plan and rate order to provide notices of violations to customers and to conduct hearings by the Board of Directors to determine violations and assess civil penalties for violations, if necessary. It was mentioned that the District has not yet called attention to specific customer violations, but additional action is now required because of the emergency conditions in the water supply system. There was discussion of measures that can be taken to notify customers of violations and the possibility of civil penalties and loss of water service if violations are not corrected. There followed a discussion of changes that could be made in the District's notification procedures that include issuing a notice to a customer of a violation on a specific date and time with the operator keeping a record of the violation notice. If a second violation is observed at the same location, the operator would then issue an additional violation.

notice and would inform the attorney of the circumstances. The District would schedule a hearing on the violations, and the Board would conduct hearings as provided in the rate order and issue civil penalties or take other measures, as necessary.

There was a proposal that the Board approve a first violation notice with a duplicate copy to be retained by the operator. Second, upon determination of a violation by the same customer, an additional notice would be issued. For a second violation, the attorney will write a letter to the customer providing a notice of the violations and notice of a hearing on the violations with a date, time and place of the hearing. Third, the Board will conduct hearings on violations with the purpose of establishing that violations have occurred, and assessing civil penalties or requiring termination of water service if violations are confirmed. After further discussion, upon motion by Director Smith, seconded by Director Alli, the Board voted unanimously to approve the procedures that have been discussed to obtain customer compliance with the District's water use restrictions under the Drought Contingency Plan.

There was discussion of the large magnolia tree on Imperial Oaks Boulevard and the necessity for watering the tree to protect its life and integrity. The Board noted that the tree is a landmark in the community, and it represents the strength of the District and the attention given to the community by the developer and the directors. Upon motion by Director Alli, seconded by Director Smith, the Board voted unanimously to authorize the operator to take action necessary to provide water for the magnolia tree at that location, as necessary.

There was discussion of the Drought Contingency Plan, and the Board requested that the Drought Contingency Plan be placed on the agenda for the meeting in September for amendments as may be needed.

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


Secretary