

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 26
Minutes of Special Meeting of Board of Directors
August 1, 2017

The Board of Directors of Harris County Municipal Utility District No. 26 met at 20810 Lee Road, Humble, Harris County, Texas on August 1, 2017, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board, as follows:

Keith McKeand, President
Floyd Green, Vice President
Ray Boudreaux, Secretary
James Buchanan, Assistant Secretary
Jake Wofford, Assistant Secretary

and all such persons were present, with the exception of Director Green, thus constituting a quorum.

Also present were Anthea Moran of FirstSouthwest, a division of Hilltop Securities Inc. ("FirstSouthwest"); and Spencer Creed of Schwartz, Page & Harding, L.L.P. ("SPH").

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

PLAN OF FINANCING FOR REFUNDING TRANSACTION

Ms. Moran addressed the Board regarding the proposed issuance of refunding bonds for the District. In connection therewith, she presented and reviewed with the Board a Plan of Financing in connection with the District's Unlimited Tax Refunding Bonds, Series 2017 (the "Refunding Bonds"), a copy of which is attached hereto as **Exhibit A**. She advised the Board that the proposed Refunding Bonds will be issued with private placement through a placement agent rather than being sold through a negotiated, public sale to an underwriter. Ms. Moran reported that the proposed refunding bond issue would refund the remaining balance of the District's Series 2011 Bonds, and that the size of the refunding issue was subject to change depending on the market conditions and other factors at the time of sale. She advised that, as of today, the District's net present value savings would be approximately 11.831699%. After a detailed discussion on the current refunding proposal outlined by Ms. Moran, Director Wofford moved (i) the District proceed with the issuance of the Series 2017 Refunding Bonds, subject to the District achieving a minimum net present value savings of 8.00% at the time of the proposed sale of the Refunding Bonds, with a par amount not to exceed \$2,800,000, that such approval to proceed be valid for six (6) months, and (ii) the District consultants be authorized to proceed with the preparation of various documentation related to the issuance of the same. Director Buchanan seconded said motion, which unanimously carried.

APPROVAL OF TERM SHEET IN CONNECTION WITH THE ISSUANCE OF THE REFUNDING BONDS

Ms. Moran reported that, because the Refunding Bonds will be sold in a private placement, the bond issue does not require a Preliminary Official Statement, and that a Term Sheet is provided to proposed purchasers of the Refunding Bonds in lieu thereof. She then presented a Term Sheet in connection with the issuance of the Refunding Bonds, a copy of which is attached hereto as **Exhibit B**. After discussion on the matter, Director Wofford moved that the Term Sheet be approved and FirstSouthwest and/or the placement agent be authorized to distribute same to prospective purchasers. Director Buchanan seconded said motion, which unanimously carried.

Ms. Moran then presented to and reviewed with the Board a Letter Agreement between the District and FirstSouthwest regarding the 1.0% financial advisory fee for services rendered by FirstSouthwest related to the sale and delivery of the Refunding Bonds, a copy of which is attached hereto as **Exhibit C**. After discussion on the matter, Director Buchanan moved that the Board approve the Letter Agreement and that the President be authorized to execute same on behalf of the Board and District. Director Boudreaux seconded the motion, which unanimously carried.

ACKNOWLEDGE MSRB RULE 17 DISCLOSURES

The Board next considered the designation of a Board member to receive and acknowledge MSRB Rule 17 Disclosures regarding disclosure of the financial advisor's role, compensation and potential conflicts of interest and the material financial characteristics and risks of the financial structure. After discussion, Director Buchanan moved that Director McKeand be designated to receive and execute said correspondence acknowledging receipt of the MSRB Rule G-17 disclosures. Director Boudreaux seconded said motion, which carried unanimously.

ORDER AUTHORIZING ISSUANCE OF BONDS

There was next presented to the Board an Order Authorizing the Issuance, Sale and Delivery of the Refunding Bonds ("Bond Order"), a copy of which is attached hereto as **Exhibit D**. Mr. Creed stated that the District, pursuant to Texas Government Code Section 1207.007, may delegate authority to any officer of the Board to take certain acts to effect the sale of the Refunding Bonds upon the Board deciding minimum parameters for the transaction. The Board concurred to delegate authority to Director McKeand to take such actions as may be necessary and appropriate in connection with the sale of the Refunding Bonds, including, without limitation, execution of a Pricing Certificate and Bond Purchase Letter in connection therewith. After consideration of the Bond Order, it was duly moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried that (i) said Bond Order be passed and adopted by the Board and the District; and (ii) Director McKeand be delegated the authority to act on behalf of the District, in accordance with Texas Government Code Section 1207.007, to effectuate the sale of the Refunding Bonds if the parameters set forth in the Bond Order are met.

APPROVAL OF FORM OF BOND PURCHASE LETTER

The Board then considered approval of a form of Bond Purchase Letter in connection with the Refunding Bonds, a copy of which is attached hereto as **Exhibit E**. After discussion of the form of the proposed Bond Purchase Letter, Director Buchanan moved that the said form of Bond Purchase Letter be approved by the Board and the District, and that the President be authorized to execute same and the Secretary be authorized to attest same, in substantially the form submitted, on behalf of the Board and the District. Director Boudreaux seconded said motion, which carried unanimously.

ENGAGEMENT OF SPECIAL TAX COUNSEL

There was next a discussion regarding the engagement of Special Tax Counsel relative to the District's Refunding Bonds. Mr. Creed recommended that the Board consider engaging the firm of McCall, Parkhurst & Horton, L.L.P. to perform such services for the District. After discussion on the matter, Director Buchanan moved that McCall, Parkhurst & Horton, L.L.P. be engaged as the District's Special Tax Counsel in connection with the District's Refunding Bonds. Director Boudreaux seconded said motion, which unanimously carried.

APPROVAL OF PLACEMENT AGENT AGREEMENT RELATIVE TO THE REFUNDING BONDS

Ms. Moran presented a Placement Agent Agreement from Hutchison, Shockey, Erley & Co. for its professional services as placement agent in connection with the issuance of the Refunding Bonds, a copy of which is attached hereto as **Exhibit F**. After discussion on the matter, Director Buchanan moved that the Placement Agent Agreement be approved and that the President be authorized to execute same on behalf of the Board and District. Director Boudreaux seconded said motion, which unanimously carried.

DESIGNATION OF PAYING AGENT

The Board considered the designation of a Paying Agent/Registrar in connection with the District's Refunding Bonds. Mr. Creed reported that the purchaser may elect to serve as the paying Agent/Registrar for the Refunding Bonds, and will execute a Paying Agent/Registrar Agreement with the District if the purchaser so elects. He further reported that The Bank of New York Mellon Trust Company, N.A. (the "Bank of New York") will serve as Paying Agent/Registrar if the purchaser does not elect to serve in that capacity. After discussion on the matter, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that either the purchaser of the District's Refunding Bonds or the Bank of New York, as applicable, be designated as the Paying Agent/Registrar for said bonds.

APPROVAL OF FORM OF PAYING AGENT/REGISTRAR AGREEMENT

The Board next considered the approval and execution of a form of Paying Agent/Registrar Agreement in connection with the Refunding Bonds. Mr. Creed then presented to and reviewed with the Board a proposed form of Paying Agent/Registrar Agreement. After discussion on the matter, Director Buchanan moved that the proposed form of Paying Agent/Registrar Agreement be approved by the Board and that the President be authorized to

execute same on behalf of the Board and the District. Director Boudreaux seconded said motion, which carried unanimously.

DESIGNATION OF ESCROW AGENT

The Board next considered the designation of an Escrow Agent relative to the District's Refunding Bonds. After discussion on the matter, Director Buchanan moved that the Board approve the designation of The Bank of New York as Escrow Agent in connection with the District's Refunding Bonds. Director Boudreaux seconded said motion, which unanimously carried.

APPROVAL OF ESCROW AGREEMENT

Mr. Creed presented to and reviewed with the Board a proposed Escrow Agreement between the District and The Bank of New York, a copy of which is attached hereto as **Exhibit G**. After discussion on the matter, Director Buchanan moved that the proposed Escrow Agreement between the District and The Bank of New York be approved by the Board and that the President be authorized to execute same on behalf of the Board and the District. Director Boudreaux seconded said motion, which carried unanimously.

VERIFICATION AGENT

The Board next considered the designation of a Verification Agent relative to the District's Refunding Bonds. Mr. Creed advised the Board that, pursuant to the City of Houston's refunding bond ordinance, the District is required to engage an independent accounting firm to conduct an audit to verify the savings to be experienced by the District as a result of the refunding bond issue. Ms. Moran further advised that Grant Thornton L.L.P. had submitted a proposal to act as Verification Agent for said refunding bond issue. After discussion on the matter, Director Buchanan moved that the Board engage the services of Grant Thornton L.L.P. to act as Verification Agent for the District's Refunding Bonds. Director Boudreaux seconded said motion, which carried unanimously.

AUTHORIZE BOOKKEEPER TO ISSUE A CHECK FOR ATTORNEY GENERAL FEES

The Board next considered authorizing the District's bookkeeper to issue a check at the next meeting payable to the Attorney General representing the filing fee due for review of the transcript of legal proceedings to be submitted to the Attorney General in connection with the Refunding Bonds. After discussion on the matter, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that the District's bookkeeper be authorized to issue said check to the Attorney General for filing of the transcript of legal proceedings in connection with the Refunding Bonds.

AUTHORIZE DISTRICT CONSULTANTS TO PROCEED WITH PREPARATION OF DOCUMENTATION RELATED TO THE ISSUANCE OF THE REFUNDING BONDS

The Board considered authorizing the District's consultants to proceed with the preparation of necessary documentation related to the issuance of the District's Refunding Bonds,

including preparation of a final Plan of Financing and Pricing Certificate. After discussion on the matter, Director Buchanan moved that SPH, FirstSouthwest and/or other District consultants be authorized to take any other action necessary and appropriate with regard to the issuance of the District's Refunding Bonds. Director Boudreaux seconded said motion, which unanimously carried.

OTHER REFUNDING BOND MATTERS

As the next order of business, the Board considered acting upon any other matters relative to the issuance of the Refunding Bonds. Relative thereto, Mr. Creed presented and reviewed with the Board the General Certificate and Signature and No-Litigation Certificate and discussed various other documents for inclusion in the transcript of proceedings to be submitted to the Attorney General of the State of Texas. After discussion of these documents, upon motion made by Director Buchanan, seconded by Director Boudreaux and unanimously carried, the Board authorized the President (or Vice President) and Secretary to execute such documents, as required, and for SPH and FirstSouthwest to handle all matters relative to such refunding bond sale.

As the next order of business, the Board considered authorizing the execution of various additional documentation for inclusion in the transcript of proceedings to be submitted to the Attorney General of Texas relative to the issuance of the Refunding Bonds. After discussion, it was moved by Director Buchanan, seconded by Director Boudreaux and unanimously carried, that the President (or Vice President) and Secretary (or Assistant Secretary), as appropriate, be authorized to execute any additional documentation required for inclusion in the transcript of proceedings to be submitted to the Attorney General of Texas relative to the issuance of the Refunding Bonds.

The Board considered disbursement of bond proceeds from the Refunding Bonds. After discussion on the matter, Director Buchanan moved that said disbursements be authorized in all respects, subject to closing of the refunding transaction, and that the President (or alternate officers as set forth above) be authorized to execute the disbursement letter on behalf of the Board. Director Boudreaux seconded said motion, which unanimously carried.

The Board considered approval of the various documents to be utilized at the closing relative to the Refunding Bonds. Mr. Creed reviewed the subject documents with the Board. After discussion on the matter, Director Buchanan moved that the closing documents be approved and that the President and Secretary (or alternate officers as set forth above) be authorized to execute same on behalf of the Board and the District, as appropriate. Director Boudreaux seconded said motion, which unanimously carried.

The Board considered the approval and execution of Internal Revenue Service Form 8038-G (the "Form") relative to the Refunding Bonds. After discussion on the matter, Director Buchanan moved that same be approved by the Board, that the President (or alternate officers as set forth above) be authorized to execute same on behalf of the Board and the District and that the Form be filed as required. Director Boudreaux seconded said motion, which unanimously carried.

Mr. Creed recommended that the Board authorize Norton Rose Fulbright US LLP ("Fulbright"), the District's disclosure counsel, to file appropriate material event filings on behalf

of the District relative to the District's Series 2011 refunded bonds being called for redemption. After discussion, Director Buchanan moved that Fulbright be authorized to file appropriate material event notices on behalf of the District relative to the District's Series 2011 refunded bonds, subject to the closing of the transaction. Director Boudreaux seconded said motion, which unanimously carried.

Ms. Moran exited the meeting at this time.

AUTHORIZE AND/OR RATIFY REPAIR OF DISTRICT FACILITIES

The Board next considered authorizing the repair of District facilities, including but not limited to ratification and/or approval of repairs to the sanitary sewer line located at Kenswick Drive and Old Maple Lane. Director McKeand addressed the Board with regard to the repair of the sanitary sewer line, and distributed photos of the project, copies of which are attached hereto as **Exhibit H**. He advised that Jones & Carter had identified the area requiring repair and was concerned that the repair was needed prior to the Board's next meeting, in order to ensure the integrity of the line and the safety of the District's customers. He further reported that Municipal Operations and Consulting, Inc. ("MOC") had estimated the cost of the minimum immediately required repair to be approximately \$20,000, and the ultimate full repair to be as much as approximately \$155,000. Director McKeand advised that, in consultation with Mr. Mueller and Mr. Creed, he had authorized the \$20,000 immediately required repair with the understanding it would be brought to the Board tonight for ratification. Following discussion, Director Boudreaux moved that the prior repair of the sanitary sewer line located at Kenswick Drive and Old Maple Lane by MOC be ratified and approved in all respects. Director Buchanan seconded the motion, which unanimously carried.

Mr. Creed noted that, according to Jones & Carter, the repair was completed at a cost of approximately \$6,000 and it doesn't appear that any additional work will be required.

ESTABLISHMENT OF POLICY AUTHORIZING REPAIRS OF DISTRICT FACILITIES UP TO CERTAIN COST AMOUNTS

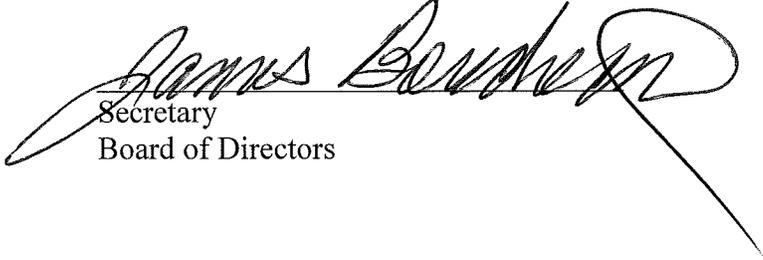
The Board next considered the establishment of a policy authorizing the President or Vice President to approve repairs of District facilities up to a certain cost amount, when such repairs are required and arise between meetings. Following discussion, Director Buchanan moved that the President or Vice President be authorized to authorize repair of District facilities in emergency situations at a cost not to exceed \$20,000. Director Wofford seconded the motion, which unanimously carried.

POSSIBLE FUTURE AGENDA ITEMS

The Board then considered items for placement on a future agenda. A discussion ensued regarding the possibility of amending the District's contract with MOC to adjust the emergency repair authorization. Mr. Creed stated that an item related to the amendment of the District's contract with MOC will be included on the next agenda.

ADJOURNMENT OF MEETING

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


Secretary
Board of Directors

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LIST OF ATTACHMENTS TO MINUTES

<u>Exhibit A</u>	Plan of Financing in connection with the District's Unlimited Tax Refunding Bonds, Series 2017
<u>Exhibit B</u>	Term Sheet
<u>Exhibit C</u>	Letter Agreement between the District and FirstSouthwest, a division of Hilltop Securities Inc.
<u>Exhibit D</u>	Order Authorizing the Issuance, Sale and Delivery of the Refunding Bonds
<u>Exhibit E</u>	Form of Bond Purchase Letter
<u>Exhibit F</u>	Placement Agent Agreement between the District and Hutchison, Shockey, Erley & Co.
<u>Exhibit G</u>	Escrow Agreement
<u>Exhibit H</u>	Photos of repairs to sanitary sewer line located at Kenswick Drive and Old Maple Lane