

EMERALD BAY MUNICIPAL UTILITY DISTRICT
FINAL AND APPROVED
MINUTES OF SPECIAL MEETING
MARCH 13, 2011

The Board of Directors of the Emerald Bay Municipal Utility District met in special session on Sunday, March 13, 2011, at 5:00 p.m. at the District office, 155 LaSalle Drive, Bullard, TX 75757. Present were Directors Dwight Cole, Jaymie Foote, Bill Harris, Deena Johnson, and Paul Randolph. Two District residents attended the meeting.

President Harris called the meeting to order at 5:00 p.m. and reviewed the progress on the bond issue. Documentation was submitted to the TCEQ on August 17, 2010, and approval was granted on January 27, 2011, with one restriction requiring escrow of \$486,577 for drainage improvements until receipt of drawings bearing an engineer's seal and detailed estimate of project costs. On March 1, 2011, the TCEQ released the District from the requirement to escrow the abovementioned funds for drainage improvements.

Director Harris noted the District's bond attorney can now submit the bond request to the Attorney General for review and approval of legality. The bond resolution sets out the terms and conditions of the Notes, and the bond attorney ensures all language is appropriate to retain the tax-exempt status. The only change the District made to the original Resolution of July 5, 2010, was Section 9.04(5) stating the District could not lower water and/or sewer rates without written approval of Capital One. To the surprise of all of the MUD Directors, it was noted that the revised version (3/2/11) of the District Resolution contains a restriction in Section 9.04(j) that states the District cannot issue any additional debt over \$150,000 without bank approval. This restricts the District's ability to address future long-term projects.

In respect to the above considerations, Directors Harris and Johnson along with Edd Clark (member of the financial advisory group) met with representatives of Southside Bank to discuss the possibility of Southside funding the bond issue for \$799,950. Southside Bank is willing to fund the entire amount at a combined lower interest rate (4.3%) with no restrictions and no legal fees. Director Harris also noted it might not be necessary to appoint a Paying Agent/Registrar if Southside buys the bond(s).

Director Randolph stated if Capital One does not agree to remove the debt restriction, the District should go with Southside Bank's offer. Treasurer Cole questioned whether Capital One would have any legal recourse against the District if it chose Southside Bank to fund the bond issue. Director Harris distributed a draft of a letter to Ken George of Capital One in Tyler notifying him of the District's request to remove the modifications and restrictions added to the original July 5, 2010 Bond Resolution. **Director Randolph made a motion that the Board resolve to pursue additional potential purchasers of the bond offering in parallel to Capital One's review of its restrictions and modifications to the District's July 5, 2010 Bond Resolution. Upon second (Foote), the motion was approved by unanimous consent.** Director Johnson will prepare a Resolution evidencing the above motion.

There being no further business, the meeting was adjourned at 5:45 p.m. upon motion duly made (Randolph) and seconded (Foote) with unanimous consent.

Respectfully submitted,

Deena M. Johnson
Secretary

William F. Harris
President

Attachments:

Letter to Ken George-3/13/11
District Resolution No. 3132011A