

**MINUTES OF MEETING OF
THE BOARD OF DIRECTORS OF
WILBARGER CREEK MUNICIPAL UTILITY DISTRICT NO. 1**

February 3, 2011

THE STATE OF TEXAS §
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COUNTY OF TRAVIS §

A meeting of the Board of Directors of Wilbarger Creek Municipal Utility District No. 1 was held on February 3, 2011, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 950, Austin, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the notice is attached as Exhibit "A".

The roll was called of the members of the Board:

Bill Kochwelp	-	President
Tim Dalton	-	Vice President
Scott Sams	-	Secretary
D. Page Ragland	-	Asst. Secretary
Diana Zuniga	-	Asst. Secretary

and all of the Directors were present except Directors Sams and Zuniga, thus constituting a quorum. Also present at the meeting were Clay Avery of CASE; Danny Burnett of 2010 ShadowGlen, LLC; Mary Bott of Bott & Douthitt, PLLC; Margret Wingrove of Crossroads Utility Services LLC; Cheryl Allen of Southwest Securities; Brian Toldan of McCall Gibson Swedlund Barfoot PLLC; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 12:03 p.m., and stated that the Board would first receive citizens' communications. Mr. Avery introduced himself as the Executive Director of CASE, a non-profit organization the membership of which was comprised of water districts and their consultants in the central Texas regional area. Mr. Avery discussed the 2011 Summer CASE conference and invited all of the Directors to attend. He stated that CASE was making an effort to become more organized and professional and was interested in hearing from members on how CASE could benefit them. He alerted the Board to an upcoming Spring Breakfast and asked that everyone stay tuned for information on a luncheon with Legislators at the Capitol during the current session. Director Kochwelp thanked Mr. Avery for the information and for attending the meeting to introduce himself.

Director Kochwelp then stated that the Board would consider approving the following item on the Board's consent agenda: the minutes of the January 6, 2011 Board meeting. Upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the minutes.

Director Kochwelp next announced that the Board would consider developing a website for the District. Mr. Bartram presented the proposal from Robin Campbell attached as Exhibit "B", noting that the District could "piggyback" on the Master District's web site and develop its own branch site with up to eight pages. He stated that the cost for developing the branch website would be \$1,250 plus \$300 per quarter. Mr. Bartram pointed out that the District could pursue a wholly separate website, but that the costs would be higher because of separate hosting and domain name requirements. He recalled that, although the Board had previously postponed implementation of a website for cost reasons, it had determined to reevaluate that decision following the resident concerns expressed at the January meeting. Mr. Burnett stated that homeowner communications were critical in the current economic climate and that the developer would pay all costs associated with the website. Director Dalton asked how information about the District's website would be made known to the residents. Ms. Wingrove stated that she could put something on the water bill, and Mr. Burnett stated that he could send an email blast through the HOA's membership directory. After discussion, upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the proposal from Robin Campbell for website development and maintenance services. Director Kochwelp asked who would coordinate the look and content of the website. Mr. Bartram stated that Mr. Campbell had developed several MUD websites and was himself a MUD director, and he suggested that Mr. Campbell put together a preliminary design for review by the Board at the March meeting. The Board generally agreed with this approach.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove reviewed the utility report for the month of December. She confirmed that the bacteriological and chlorine residual tests were satisfactory, but pointed out that the rolling blackouts during the cold weather had created a few operational problems at the plant that had to be solved manually. She then reviewed the connection report for the District and the other Participant Districts. Ms. Wingrove next reviewed the District's water usage and billing report, noting that, although 27 delinquent letters were sent, there was only one termination. Ms. Wingrove next reviewed water accountability and noted that there had been a $\pm 6\%$ water gain for the month, which she would monitor for a trend. She then reviewed the aged receivables and builder deposits, and reported that there were no write-offs for the month. Director Dalton asked if the number of delinquent accounts in the District was disproportionately high, and Ms. Wingrove stated that it was not. After discussion, upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to approve the operator's report.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bills, invoices, and transfers set forth on the revised cash activity report attached as Exhibit "C", and recommended approval, with the exception of the per diems for Directors Sams and Zuniga, which would be voided due to their absence. She then reviewed the District's investment report, tax collection report, and the financial statements as of December 31, 2010, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She then reported that the request for second quarter developer funding was still outstanding. Mr.

Burnett agreed to follow up promptly with the partners in Houston. After discussion, upon motion by Director Dalton and second by Director Ragland, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

Director Kochwelp then recognized Mr. Toldan for purposes of receiving a report from the District's auditor in connection with the audit of the District's financial statements for the fiscal year ended September 30, 2010. Mr. Toldan presented the Audit Report, attached as Exhibit "D", including a summary of (i) the independent auditor's report, which he explained contained an unqualified, "clean" opinion; (ii) the Management's Discussion and Analysis, which he explained was a summary of District operations prepared by the District's bookkeeper on behalf of District management in compliance with Governmental Accounting Standards Board Statement No. 34; (iii) the basic financial statements and the notes thereto; (iv) the required supplemental information; and (v) the Texas supplemental information. He noted prior period adjustments with respect to an overstatement of refundable deposits and Master District reserve payments, and he stated that he concurred with these adjustments. Mr. Toldan then reviewed the Board representation letter attached as Exhibit "E", noting that a similar letter would also be signed by the District's bookkeeper and operator. He confirmed that the letter incorporated certain "knowledge" qualifiers which took into account the fact that the Board was relying on the advice of the District's bookkeeper and operator in making the representations set forth in the letter. Mr. Bartram asked if any material weaknesses in internal control had been identified, and Mr. Toldan confirmed that no material weaknesses were noted. Mr. Toldan then concluded by requesting the Board to approve the Board representation letter, and the Audit Report and to authorize filing of the District's audit with the Texas Commission on Environmental Quality. Upon motion by Director Ragland and second by Director Dalton, the Board voted unanimously to do so.

Director Kochwelp then stated that the Board would receive a report from the developer. Mr. Burnett presented the Board with a new map of the ShadowGlen development, which he noted had been color-coded to reflect the new unified ownership structure. He stated that there were currently 193 developed lots on the ground in ShadowGlen and that he was working with builders, including semi-custom builders, to regenerate interest in the community. Mr. Burnett stated that the school site within the District was expected to close within the next 45 days and that he was working to improve communications with the homeowners on several fronts. Director Kochwelp asked what the lot price points were, and Mr. Burnett stated that prices had been discounted significantly. As an example, he stated that the 45' lots, which historically had been marketed at \$22,000 to \$23,000, had been reduced to \$16,000 per lot. Ms. Allen asked if Wal-Mart had committed to the Manor area yet. Mr. Burnett stated that nothing was official, but he had heard that Wal-Mart had targeted the southwest corner of the FM 973 and Hwy. 290 intersection. Ms. Allen noted that a realtor had reported at the Travis County MUD No. 2 meeting the previous day that she was starting to see prices return to 2008 levels and had sold a home in the development for over \$300,000. Mr. Burnett then concluded by noting that the new partnership structure placed a significant amount of responsibility on Mr. Dwyer and him and that the pressure was on to ensure the success of the community.

Director Kochwelp next announced that the Board would receive a report from the District's financial advisor. Ms. Allen reviewed the foreclosure report attached as Exhibit "F", noting that there had been one foreclosure in the month of January. She stated that, despite rumors on the street, she was not seeing an increase in the volume of foreclosures.

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Bartram stated that Mr. Schroeder had been unable to attend the meeting and directed the Board's attention to the quarterly well production and water supply report attached as Exhibit "G". He noted that the revised data reflected a net loss of approximately 200 gpm and that the total number of connections had remained essentially the same with approximately 615 remaining LUEs available to serve the entire system, including Hornsby Bend. Mr. Bartram stated that Mr. Schroeder had confirmed with Metro H2O, Ltd. ("Metro") that its wells were tested quarterly by Metro personnel and annually by an independent third party. Mr. Bartram next directed the Board's attention to the engineering report attached as Exhibit "H". He pointed out that the membrane cleaning project had commenced the previous week but had been put on hold during the cold weather this week. He noted that the condition of the membranes in the thickening basin was worse than expected and that all 200 membranes needed to be replaced. Director Kochwelp asked how this could have happened, and Mr. Bartram stated that it was his understanding from the manufacturer that the membranes had clogged and fouled over time due to the lack of proper maintenance and routine cleaning.

Director Kochwelp then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Bartram reported that Metro had advised the Districts that an increased wholesale rate of \$11.10 would be implemented on February 11th and that the Advisory Committee had authorized the mediation provisions of the wholesale contract to be invoked in order to attempt to resolve the rate dispute. Mr. Bartram summarized the procedural requirements that must be satisfied prior to mediation and discussed the timing of exhausting the contractual requirements before seeking other appropriate relief. He stated that the claim for indemnification and setoff against the remaining "holdback" funds for the purchase of the wastewater treatment plant as well as the claim against SWWC Services for operations-related matters would be discussed during the water rate mediation, and he suggested that further discussions regarding these issues be conducted in executive session. Mr. Bartram then reviewed the agenda and draft minutes from the January 4, 2011 Board meeting of Wilbarger Creek Municipal Utility District No. 2 and the draft report from the January 19, 2011 Advisory Committee meeting, which were recurring agenda items so that the Board could stay informed of the activities of the Master District and Advisory Committee.

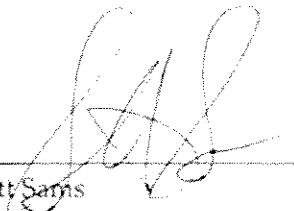
Director Kochwelp then recognized Mr. Bartram for purposes of receiving a report from the District's attorney. Mr. Bartram first reviewed the consultant directives. He next reviewed the status of the Cross County Water Supply Corporation / Blue Water Systems, LP water transmission line project. He stated that Mr. Reilly of Cross County Water Supply Corporation had confirmed earlier in the week that the project was still on schedule and that 100% of the pipe had been delivered. Mr. Bartram then concluded by reporting that the District had received notice that it was time to conduct the five-year water loss audit report for the Texas

Water Development Board. Ms. Wingrove confirmed that her office was working on this project and would complete the audit by the March deadline.

Director Kochwelp then questioned whether there were any future agenda items or further business to come before the Board. There being none, the meeting was adjourned.

(Signature page follows.)

(SEAL)



Scott Sams
Secretary, Board of Directors

Date: March 3, 2011