

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

July 10, 2012

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 July 10, 2012, at the offices of Armbrust & Brown, PLLC, 100 Congress Avenue, Suite 1300, 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	-	Assistant Secretary
Diana Zuniga	-	Assistant Secretary

and all of the Directors were present, thus constituting a quorum. Also present at the meeting were Mary Bott of Bott & Douthitt, PLLC; William Abshire of Crossroads Utility Services LLC; Ken Schroeder of Schroeder Engineering Company; Danny Burnett of 2010 ShadowGlen, LLC and Cottonwood Holdings, Ltd.; 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. There being none, Director Kochwelp then stated that the Board would consider approving the minutes of the May 16, 2012 Board meeting. Upon motion by Director Zuniga and second by Director Dalton, the minutes were unanimously approved.

Director Kochwelp next announced that the Board would consider taking action regarding budget and tax items. Mr. Bartram reviewed the memorandum attached as Exhibit "B", summarizing the schedule and process for adopting a budget and setting a tax rate. The Board agreed to meet at noon on both August 2nd and September 6th to complete this process. Ms. Bott confirmed that she was working on drafts of budgets for the Master District and Participant District for the 2013 fiscal year, which would be completed after certified property values were issued in late July and presented to the Board in August. Director Zuniga asked if the tax rate was expected to change. Mr. Bartram stated that he did not anticipate any significant changes, but indicated that it would depend on certified values and other budget matters.

Director Kochwelp then stated that the Board would consider taking action regarding retail utility rates. Mr. Bartram first presented the invoice from Metro H2O, Ltd. attached as Exhibit "C", advising the Master District of the 2012 "annual rate payment", which he noted included a CPI increase per the amended wholesale water contract. Mr. Bartram then presented the revised proposal from Jay Joyce of Expergy attached as Exhibit "D", which he stated covered all three of the active Participant Districts at a total cost of \$27,000. Mr. Bartram noted that each district's share would be \$9,000, which was significantly less than the \$15,000 amount that the Board had previously approved for this work on an individual district basis. Mr. Bartram recommended approval of the revised proposal with the understanding that the costs would be shared equally with Travis County MUD No. 2 and Cottonwood Creek MUD No. 1. After discussion, upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve the revised Expergy proposal on a cost-sharing basis. Mr. Bartram stated that Mr. Joyce would attend the August meeting to review his recommendations with the Board.

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Mr. Abshire reviewed the utility report for the month of May. He addressed water usage and confirmed that bacteriological and chlorine samples were satisfactory. He stated that water loss was excellent at approximately 2.5% for the month. Mr. Abshire next reviewed the wastewater report and noted that the plant was in compliance, that there had been no excursions, and that a recent TCEQ compliance inspection had been clean with no issues noted. He next reviewed the connection report for the District and the other Participant Districts, noting that there had been 13 new meters set in the District in May. Mr. Burnett stated that there had been 35 new home starts in the District this year by KB Home and Wilshire Homes. Mr. Abshire then reviewed the District's billing reports and delinquent accounts. He stated that there were no 90-day delinquent accounts or write-offs to present this month.

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 action items and cash activity report attached as Exhibit "E" and recommended approval. She then reviewed the budget comparison and the financial statements as of May 31, 2012, including the balance sheet, statement of revenues, and supplementary information for the District's general fund and special revenue fund. She stated that the District currently had a positive budget variance of about \$97,000, primarily due to the number of new connections. She stated that expenses were generally in check. Mr. Burnett asked where the new rate stabilization fees were shown, and Ms. Bott indicated that those fees were reflected on the Master District's books. Director Dalton stated that he would be happy to discontinue attending Advisory Committee meetings if it would help save the District money, as he felt that the District's consultants could adequately report back to the Board on the Advisory Committee's activities. 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 next recognized Mr. Burnett for a report from the developer. Mr. Burnett stated that there had been a definite up-tick in development activity, noting that there

had been 45 new home starts in ShadowGlen in 2012 already compared to a total of 17 in 2011. He stated that 2010 ShadowGlen, LLC was in the process of negotiating to sell the ShadowGlen project to SunCal, the largest privately held master-planned community developer in the country. He added that SunCal did not currently have operations in the area and that, therefore, it was likely that Mr. Dwyer or one of his companies would stay on as the project manager. He also noted that Cottonwood Holdings, Ltd. would retain its property within the project. Mr. Burnett stated that there were still many deal points to negotiate and that, if the SunCal transaction proceeded, it was anticipated to close by the end of the year. He noted that, in the meantime, 2010 ShadowGlen was still selling lots to builders and was working on a sale of paper lots to Lennar Homes. He stated that, in connection with the project sale, he was also working to tie up as many loose ends as possible, including finalizing new reimbursement agreements with the ShadowGlen districts. Mr. Burnett then concluded with a report on other development in the Manor area. He stated that construction of the Wal-Mart project was expected to begin in September 2012 and be complete by October 2013. He added that he was also very excited about several other commercial contracts and projects in the area, including McDonald's, CVS, and AutoZone. Director Sams asked what the price point of the homes in the District was at this time. Mr. Burnett stated that final home prices were averaging around \$125,000 after all buyer selections and upgrades. Mr. Burnett also stated that, with the number of lots sold, it was time to start thinking about putting additional sections on the ground. Director Kochwelp asked if the potential new project owner would have any developer funding obligations to the Districts. Mr. Bartram stated that this would be covered in the proposed new reimbursement contracts, which were expected to be assigned to, and assumed by, the buyer.

There being no report from the District's financial advisor, Director Kochwelp then recognized Mr. Schroeder for purposes of receiving a report from the District's engineer. Mr. Schroeder reviewed the report attached as Exhibit "F". With respect to District matters, he stated that he had reviewed Crossroads Utility Services' invoice and that everything was in order. Mr. Schroeder then addressed items related to the Master District. He reported that the daily wastewater flows at the wastewater treatment plant for the month of May had averaged $\pm 134,000$ gpd, with a maximum day of $\pm 195,000$ gpd, which he stated were within the expected range of flows based on the current number of connections. Mr. Schroeder confirmed that all tests were satisfactory and that the Master District's operational expenses were within budget. He next reviewed the status of the approved wastewater treatment plant repairs and stated that there had been no material changes since the previous meeting. However, he did note that a permeate actuator and bleach cleaning pump had malfunctioned and were in the process of being replaced. Mr. Schroeder then reported that the Master District was working with Ovivo on proposals that involved certain performance guarantees as well as upgrades to bring the wastewater treatment plant up to current technology. He stated that one proposal covered certain equipment upgrades to increase the efficiency of the plant and reduce operating costs. He explained that the total cost of this proposal was \$103,000 with a guaranty of 30% energy savings and a pay-back period of five to six years. Mr. Schroeder indicated that the second proposal amounted to a service contract for the plant's membrane technology. He noted that the basic service component of the proposal would cost \$44,000 per year and that, for an additional \$25,000, Ovivo would assume all of the risk for membrane replacement. He stated

that the Master District and Advisory Committee had approved both proposals in concept and were working with Ovivo to fine-tune a few additional details. Mr. Schroeder then concluded by reporting on the status of repairs to the drainage channel erosion in Section 15A. He stated that the contractor had reinstalled all of the original boulders per the approved scope of work but had recommended additional bull rock for more comprehensive protection. Mr. Schroeder stated that he concurred with the contractor's recommendation and suggested that the Board authorize the additional work up to a not-to-exceed amount. He stated that the contractor had estimated the cost of the additional work to be approximately \$1,200. After discussion, upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the additional drainage channel work in an amount not to exceed \$1,500.

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 in-District posting location for agendas and recommended that the Board consider a more weather-proof option. After discussion, the Board directed Mr. Bartram to work with the landowner and the HOA regarding an appropriate kiosk for postings at this location. Mr. Bartram then alerted the Board to an upcoming drinking water conference being hosted by the TCEQ. He next addressed website matters and encouraged anyone with suggestions on the website to forward those to him or Mr. Burnett. Mr. Bartram then discussed the status of the new/updated reimbursement agreements with 2010 ShadowGlen, LLC reflecting the 2009 foreclosure and 2010 restructuring, noting that work on the agreements was nearly final. He recommended that the existing subcommittee on this matter (comprised of Director Kochwelp) be authorized to negotiate and execute a new Utility Construction Agreement for the District between meetings. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted to approve Mr. Bartram's recommendation, with Director Kochwelp abstaining from the vote. Mr. Bartram then addressed the revised Development Agreement for the ShadowGlen Subdivision. He stated that the District, as well as Wilbarger Creek MUD No. 2 and Travis County MUD No. 2, had approved a version of the agreement back in September 2011, and that the developer had since been working to finalize the exhibits, which had resulted in a few modifications to the agreement itself. Mr. Bartram stated that these changes did not involve the Districts, and he indicated that it was his understanding that the agreement and all exhibits were now final and ready for approval. Mr. Burnett confirmed that no further changes were anticipated. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the revised Development Agreement for the ShadowGlen Subdivision attached as **Exhibit "G"**.

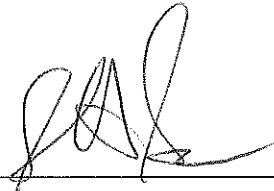
Director Kochwelp then stated that the Board would receive a report regarding Master District and Advisory Committee items. Mr. Bartram first reviewed the agenda and draft minutes from the May 7, 2012 and June 4, 2012 joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and Advisory Committee, which was a recurring agenda item so that the Board could stay informed of the activities of the Master District and Advisory Committee.

Director Kochwelp then stated that the Board would consider its future meeting schedule. After discussion, the Board reconfirmed that it would meet at noon on both August 2, 2012 and September 6, 2012.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 1:05 p.m.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: August 2, 2012