

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

December 6, 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 December 6, 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; Margret Wingrove of Crossroads Utility Services LLC; Pete Dwyer of 2010 ShadowGlen, LLC and Cottonwood Holdings, Ltd.; Ken Schroeder of Schroeder Engineering Company; and John Bartram of Armbrust & Brown, PLLC.

Director Kochwelp called the meeting to order at 11:03 a.m., and stated that the Board would first receive citizens' communications. There being none, Director Kochwelp stated that the Board would consider the election items on the agenda beginning with the Sworn Statements and Oaths of Office for the Directors re-elected on November 6, 2012. Upon motion by Director Dalton and second by Director Sams, the Board voted unanimously to approve the Sworn Statements and Oaths of Office for Directors Zuniga and Ragland.

Director Kochwelp then stated that the Board would consider the election of officers. After discussion, the Board agreed that the current slate of officers would remain unchanged.

Director Kochwelp then stated that the Board would consider approving the minutes of the September 6, 2012 Board meeting. Mr. Bartram noted one correction. Director Kochwelp asked if the residents had been notified of the new retail rates. Ms. Wingrove stated that Mr. Burnett had had notices delivered to all residents and that she had included notice of the new rates on the utility bill as well. Director Kochwelp then asked if the new posting kiosk had been

installed, and Ms. Wingrove confirmed that it had. Upon motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve minutes as corrected.

Director Kochwelp then stated that the Board would consider approving a revised District Registration Form. Mr. Bartram reviewed the revised District Registration Form attached as Exhibit "B", noting that it had been updated to reflect the new terms of office for the Directors re-elected on November 6, 2012 and the new Travis County tax collector. Upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the revised District Registration Form and its filing.

Director Kochwelp next announced that the Board would consider an amendment to the District's resolution establishing meeting and posting locations. Mr. Bartram recommended that the existing resolution be revised to indicate that meeting agendas would be provided to the County Clerk in accordance with the Texas Open Meetings Act rather than posted at the County Courthouse in order to accommodate the fact that Travis County was no longer physically posting agendas at the courthouse and was instead posting official notices to the County's website. After discussion, upon motion by Director Zuniga and second by Director Ragland, the Board voted unanimously to approve the revised Resolution Establishing Offices and Meeting Places of the Board of Directors and Establishing Locations for the Posting of Notice of Meetings attached as Exhibit "C".

Director Kochwelp then stated that the Board would consider approving a License Agreement for the new posting kiosk within the District. Mr. Bartram reviewed the proposed License Agreement and reported that it had been approved by the developer's legal counsel. Upon motion by Director Zuniga and second by Director Ragland the Board voted unanimously to approve the License Agreement for the posting kiosk attached as Exhibit "D".

Director Kochwelp then stated that the Board would consider a revised Utility Construction Agreement with 2010 ShadowGlen, LLC. Mr. Bartram reminded the Board that it had previously approved a new reimbursement agreement with 2010 ShadowGlen, LLC. He explained that, after approval, it was discovered that ShadowGlen Residential Community, Ltd., a signatory to the agreement, had been dissolved in June and that, therefore, the recitals and signature blocks in the documents previously approved by the Board had been modified to be executed by the former partners of ShadowGlen Residential Community, Ltd. After discussion, upon motion by Director Ragland and second by Director Zuniga, the Board voted unanimously to approve the revised Utility Construction Agreement [ShadowGlen – Wilbarger Creek MUD No. 1] with 2010 ShadowGlen, LLC attached as Exhibit "E".

Director Kochwelp then stated that the Board would receive a report from the District's utility operator. Ms. Wingrove directed the Board's attention to the utility report attached as Exhibit "F". She pointed out that the rate summary had been updated with the new retail rates. She then reviewed the water report and noted that usage was down. She confirmed that the bacteriological and chlorine samples were satisfactory. She next addressed water accountability, noting that water loss was less than 1%. Ms. Wingrove reviewed the water usage analysis report and the most recent quarterly health department water sampling reports.

She next reviewed the wastewater report and confirmed that the wastewater treatment plant was in compliance and that there had been no excursions. She next reviewed the connection, billing, adjustments, and delinquent accounts reports. She stated that there were no delinquent accounts but that there was one write-off for the month. She then concluded by reporting that wasps had built a nest in the District's new posting kiosk. She stated that her crews had sprayed the wasps and would caulk the opening to prevent the situation from recurring. After discussion, upon motion by Director Sams and second by Director Zuniga, the Board voted unanimously to approve the write-off.

Director Kochwelp then stated that the Board would receive a report from the District's bookkeeper. Ms. Bott first reviewed the bookkeeper's report attached as Exhibit "G", including the bills, invoices, and transfers set forth on the updated cash activity report, and recommended approval. She confirmed that the developer was current on its funding obligations and that the next quarterly installment of developer funding was due on January 1st. Ms. Bott next reviewed the cash/investment activity report, the tax collection report, the District's financial statements as of October 31, 2012, and the supplementary information, including the budget comparison. She noted that only one account was delinquent on property taxes. She also pointed out that the Districts were currently using only about 80% of the take-or-pay water purchased from Metro-H2O, Ltd. Ms. Bott then concluded by reviewing the notice of the Master District's reservation and allocation of capacity for the 2013 fiscal year as reflected in the Calculation of Reserved and Allocated Water/Wastewater LUEs for FYE 9/30/2013 attached as Exhibit "H", as required under the Master District Contract and the Master District's Resolution Adopting Policy Regarding Reservation and Allocation of Capacity in Master District Facilities. She pointed out that water capacity had been reserved and allocated based on the 2,610 LUEs already purchased from Metro-H2O, Ltd. After discussion, upon motion by Director Zuniga and second by Director Dalton, the Board voted unanimously to approve the bills, invoices, and transfers as presented.

There being no representative of the developer in attendance yet, Director Kochwelp stated that the Board would next receive a report from the District's financial advisor. Mr. Bartram noted that Ms. Allen had been unable to attend the meeting and directed the Board's attention to the latest foreclosure report attached as Exhibit "I".

Director Kochwelp then stated that the Board would receive a report from the District's engineer. Mr. Schroeder first reviewed the engineering report attached as Exhibit "J". With respect to District matters, he stated that the Crossroads Utility Services invoice was in order and within budget. Mr. Schroeder then addressed items related to the Master District, noting that the daily wastewater flows at the wastewater treatment plant for the month of October had averaged $\pm 173,000$ gpd, with a maximum day of $\pm 243,000$ 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 the Ovivo upgrades and service contracts. He stated that the Master District had approved a proposal from MPC, Inc. to upgrade the computer system at the wastewater treatment plant

and renew the related software license agreement. He stated that these upgrades would not overlap with or inhibit any of the Ovivo work previously approved by the Master District. Mr. Schroeder then concluded by noting that the influent and effluent meters at the wastewater treatment plant had been recalibrated and that the flows registered had been consistent since mid-October.

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 then addressed website matters and encouraged anyone with suggestions on the website to forward those to him or Mr. Burnett. Mr. Bartram next reported that, in connection with the proposed "SunCal" bulk sale transaction, the developer had requested that the Districts comprising the ShadowGlen development all consent to the assignment of their respective reimbursement agreements to the proposed purchaser, JNI, LLC. He presented and reviewed with the Board (i) the Assignment of Utility Construction Agreement and Consent [ShadowGlen – Wilbarger Creek MUD No. 1] attached as Exhibit "K", which he explained would assign the reimbursement agreement with 2010 ShadowGlen, LLC to JNI, LLC; and (ii) the Assignment of Developer Funding Agreement and Consent [ShadowGlen – Wilbarger Creek MUD No. 1] attached as Exhibit "L", which he explained would assign the developer funding agreement with the District for the 2012-2013 fiscal year from 2010 ShadowGlen, LLC to JNI, LLC. Mr. Bartram pointed out that these assignments included a District consent provision that was expressly subject to certain conditions, including closing of the proposed purchase transaction, transfer of all improvements eligible for reimbursement, and an assignment of all agreements with or for the benefit of the District, including the developer funding obligation and Development Agreement for the ShadowGlen Subdivision with the City of Manor. He stated that Wilbarger Creek MUD No. 2 and Travis County MUD No. 2 had conditioned their consents earlier in the week on the additional requirement that that the quarterly developer funding installment due January 1st be received prior to or at closing, and he recommended that the Board do the same. He further stated that the President of the Board of Directors of Travis County MUD No. 2 had spoken with Ms. Allen, the Districts' financial advisor, regarding these assignments and that Ms. Allen had recommended that the Districts approve the assignments. At this time, Mr. Dwyer arrived at the meeting, and Director Kochwelp asked Mr. Dwyer if the proposed purchaser was prepared to honor the developer's funding obligations. Mr. Dwyer confirmed that deficit funding was included in the purchaser's pro forma. He stated that seven offers had been received to purchase the ShadowGlen project, all of which had been thoroughly vetted. He stated that SunCal was a 70 year old family-owned company out of California in the business of developing master-planned communities. He described SunCal's business philosophy and the structure of the transaction, which he stated would involve a significant down payment and seller financing for the balance of the purchase price. Mr. Dwyer added that, as part of the transaction, the current ownership team would be staying on as the project managers for at least one year. Mr. Bartram noted the additional condition to consent required by Wilbarger Creek MUD No. 2 and Travis County MUD No. 2 regarding the January 1st developer funding installment being made prior to or at closing, and he asked Mr. Dwyer if this would be problematic. Mr. Dwyer stated that the purchaser had been alerted to this requirement and that the parties were working out the details. After further discussion, upon

motion by Director Zuniga and second by Director Sams, the Board voted unanimously to approve Assignment of Utility Construction Agreement and Consent [ShadowGlen – Wilbarger Creek MUD No. 1] and the Assignment of Developer Funding Agreement and Consent [ShadowGlen – Wilbarger Creek MUD No. 1], in each case with the additional developer funding payment condition.

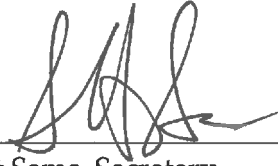
Director Kochwelp next announced that the Board would consider the Master District and Advisory Committee items on the agenda. Mr. Bartram directed the Board’s attention to the agenda and minutes from the most recent joint meetings of the Board of Directors of Wilbarger Creek Municipal Utility District No. 2 and the 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 agreed to stay on an every-other-month meeting schedule and that the next meeting would be on February 7th.

Director Kochwelp then asked if there was any further business to come before the Board. There being none, the meeting was adjourned at 11:49 a.m.

(Signature page follows.)

(SEAL)



Scott Sams, Secretary
Board of Directors

Date: February 7, 2013