

MINUTES
TRAVIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 10

March 2, 2010

The Board of Directors (the "Board") of Travis County Municipal Utility District No. 10 (the "District") met in regular session, open to the public, on March 2, 2010, at 1405 Osprey Ridge Loop, Lago Vista, Texas, inside the boundaries of the District, and the roll was called of the members of the Board:

Harvey Reiter	President
Jerry McAhren	Vice President
John Henry McMahon, Jr.	Secretary
Robert Ernst	Assistant Vice President
Vance Taylor	Assistant Secretary

and all of the above were present.

Also present at the meeting were Greg Bourgeois and Cathy Mitchell of Jones & Carter, Inc. ("Jones & Carter"); Terry Holland of Myrtle Cruz, Inc.; Hal Lanham, Melanie Johnson and Matt Martin of AWR Services, Inc.; Roger Johnson of Waterford LT Partners, L.P.; Craig Rathmann of Rathmann & Associates, L.P.; Mike Lucas of CML/WE Ltd.; Ed Thompson, John Adams, Darrell McClaid, Jeanne Connell and Don Killough, property owners in the District; Sharon Covan of Allen Boone Humphries Robinson LLP ("ABHR") and Trey Lary of ABHR by conference call.

APPROVE MINUTES

The Board considered approving the minutes of the February 2, 2010, meeting. After review and discussion, Director Taylor moved to approve the minutes of the February 2, 2010, meeting. Director McAhren seconded the motion, which passed by unanimous vote.

GARBAGE

There was no report on garbage collection services.

FINANCIAL AND BOOKKEEPING

Mr. Holland reviewed the bookkeeper's report, a copy of which is attached, and the bills presented for payment. Mr. Holland reviewed Certificate of Deposit rates and requested authorization to purchase a Certificate of Deposit from Enterprise Bank. Upon a motion made by Director Taylor and seconded by Director Ernst, the Board authorized the purchase of a Certificate of Deposit from Enterprise Bank and approved the bookkeeper's report and the checks presented for payment.

TAX ASSESSMENT AND COLLECTION

The Board received the tax assessor/collector's report and the delinquent tax report, a copy of which is attached. Director Reiter said that the District's 2009 property taxes are 87% collected. The Board discussed a homestead exemption. Director Ernst moved to approve the tax assessor/collector's report. Director Taylor seconded the motion, which passed unanimously.

RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

The Board considered adopting a Resolution Concerning Tax Collection Procedures, which provides that the Board rejects the procedure permitting the District to refrain from sending tax bills for less than \$15.00, the procedure permitting the split payment of taxes, and the procedure concerning discounts for early payment of taxes. Upon a motion made by Director Reiter and seconded by Director Taylor, the Board voted unanimously to adopt the Resolution Concerning Tax Collection Procedures, and direct that the Resolution be filed appropriately and retained in the District's official records.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION

The Board considered adopting a Resolution Concerning Exemptions from Taxation that provides that the District exempts \$10,000 of the appraised value of residence homesteads of individuals who are disabled or are sixty-five years of age or older, rejects the general homestead exemption, the charitable organization exemption and the exemption for travel trailers from ad valorem taxation. Director Taylor moved to adopt the Resolution Concerning Exemptions from Taxation and direct that the Resolution be filed appropriately and retained in the District's official records. Director Reiter seconded the motion, which passed by unanimous vote.

OPERATION OF DISTRICT FACILITIES

The Board reviewed the operator's report, a copy of which is attached. Mr. Lanham said that a pump was installed at the backwash pond to re-circulate and reuse the backwash water. He said that a new starter was installed on the boat motor and the boat is operating normally. Mr. Lanham said that water accountability during January was 85%.

Mr. Lanham said that the North Lake Travis Fire & Rescue has requested that the District provide pressure and flow data for all of the District's fire hydrants. He said that all of the District's fire hydrants have been tested. The Board reviewed the report on the fire hydrant survey. Mr. Lanham said that two fire hydrants need to be replaced because the bonnets are frozen, several hydrants need minor repairs and four hydrants need risers. He said that the top of each hydrant will be color coded to denote the

maximum pressure for that hydrant per national color code standards. Director Ernst noted that some street markers are loose. After review and discussion, Director McMahon moved to: 1) authorize the replacement of two fire hydrants and repairs to the fire hydrants, as stated in the survey; 2) authorize replacement of the markers that are loose; and 3) authorize painting the bonnet and cap of each fire hydrant. Director Ernst seconded the motion, which passed by unanimous vote.

Director Reiter asked about remote operations of the water plant. Mr. Lanham discussed the addition of controls at the water plant to remotely assist with operations. He said that he did not know the cost of the system at this time.

Ms. Johnson said that there were no delinquent accounts. After review and discussion, Director Taylor moved to approve the operator's report. Director McMahon seconded the motion, which passed by unanimous vote.

CONDUCT HEARING REGARDING WATER AND SEWER SERVICE TERMINATIONS TO DELINQUENT ACCOUNTS AND AUTHORIZE TERMINATION, IF APPROPRIATE

The Board took no action on this matter.

AMEND RATE ORDER

The Board discussed amending the Rate Order to provide for an increase in the irrigation rates to users of public spaces. After review and discussion, Director Ernst moved to increase the water rate to users of public spaces from \$0.25 per 1,000 gallons of water used to \$1.00 per 1,000 gallons of water used, adopt an Amended Rate Order and direct that the Amended Rate Order be filed appropriately and retained in the District's official records. Director Reiter seconded the motion, which passed by a vote of four in favor with Director Taylor opposed.

DROUGHT CONTINGENCY PLAN

Director Taylor discussed the revisions to the Drought Contingency Plan (the "DCP"). He said that comments received from ABHR have been addressed and it has been verified that the acre-feet levels are consistent with the Lower Colorado River Authority parameters. Director Taylor noted a correction under the Stage II moderate drought trigger condition. He said that the moderate drought trigger is when the combined storage for Lake Travis and Lake Buchanan is at or below 1.1 million acre-feet, but above 900,000 acre-feet, instead of 800,000 acre feet. Director Reiter recommended changing the wording under the four stages of the drought response measures to state what the monthly water allowance is, rather than the monthly water target. The Board discussed the penalties for violation of the DCP. The Board agreed to change the premium for Stage III to 200% of normal rates and the premium for Stage IV to 500% of normal rates. After review and discussion, Director Taylor moved to adopt the Third Amended and Restated Drought Contingency Plan, as revised, authorize

publication of a Notice of Adoption of Drought Contingency Plan in a newspaper of local distribution and direct that the DCP be filed appropriately and retained in the District's official records. Director Reiter seconded the motion, which passed by unanimous vote.

2010 DIRECTORS ELECTION

Ms. Covan discussed the 2010 Directors Election. She stated that the terms of office for Directors Reiter and McAhren expire on May 8, 2010.

SET PAY FOR ELECTION OFFICIALS

Ms. Covan said that if a Directors Election is held, the election would be run by Travis County. The Board took no action to set the pay for election officials.

ORDER CALLING DIRECTORS ELECTION

Director Ernst moved that the Board adopt the Order Calling Directors Election and direct that the Order be filed appropriately and retained in the District's official records. Director Taylor seconded the motion, which passed by unanimous vote.

RESOLUTION DESIGNATING AN AGENT OF THE SECRETARY OF THE BOARD OF DIRECTORS DURING THE 2010 BOARD OF DIRECTORS ELECTION PERIOD

The Board took no action on this matter.

VOTING RIGHTS ACT SUBMISSION LETTER

Ms. Covan explained that the Voting Rights Act Submission letter is provided to the Department of Justice to obtain clearance for the Directors Election and approval of the electronic voting requirements. After review and discussion, Director Ernst moved to approve the Voting Rights Act Submission letter and authorize submission of the letter to the Department of Justice, if necessary. Director Taylor seconded the motion, which passed by unanimous vote.

ENGINEER'S REPORT

Mr. Bourgeois presented the engineering report, a copy of which is attached.

DEEDS AND EASEMENTS, UTILITY COMMITMENTS

There were no deeds or easements for consideration by the Board.

SECONDARY RAW WATER LINE

Mr. Bourgeois discussed the secondary raw water line. He said that Payton Construction, Inc. ("Payton") has completed the clearing for the secondary raw

water line. Mr. Bourgeois submitted and recommended that the Board approve Pay Estimate No. 1 and Final in the amount of \$7,500 and accept the project.

Mr. Bourgeois said that two bids were received for the secondary raw water line project. He said that the low bidder is Payton with a total bid amount of \$70,100.00 that includes an alternate item for a plastic hose wrap. Mr. Bourgeois recommended award of the contract to Payton Construction, Inc.

After review and discussion and based on the engineer's recommendation, Director Ernst moved to: 1) approve Pay Estimate No. 1 and Final in the amount of \$7,500 and accept the clearing project for the secondary raw water line; and 2) award the contract in the amount of \$70,100.00 for the secondary raw water line to the low bidder, Payton, who in the Board's judgment, is a responsible bidder who would most efficiently complete the project. Director McAhren seconded the motion, which passed by unanimous vote.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR USE OF SURPLUS FUNDS

Mr. Bourgeois discussed the use of surplus bond funds to reimburse the District's operating account for the cost of the construction of the secondary raw water line. After review and discussion, Director Ernst moved to adopt a Resolution Authorizing Application to the Texas Commission on Environmental Quality (the "TCEQ") for Use of Surplus Funds and direct that the Resolution be filed appropriately and retained in the District's official records. Director Reiter seconded the motion, which passed by unanimous vote.

WATERFORD ON LAKE TRAVIS, SECTION 4A AND LIFT STATION NO. 3

Mr. Bourgeois said that the contractor and the developer are negotiating a price to complete the punch list items.

WATER PLANT, PHASE 3 EXPANSION

Mr. Bourgeois said that the contractor has assembled the barge and moved it into position on the lake. He said that the contractor continues to work on the plant piping and electrical conduits.

Mr. Bourgeois presented and recommended for approval Pay Estimate No. 6 from Payton in the amount of \$259,717.50, which includes approved Change Orders No. 1 and 2. He said that the District's share of the Pay Estimate is \$9,180.00.

Ms. Covan said that the District intends to reimburse its operating account from surplus funds in the amount of \$2,000 for the replacement of the clogged water line and \$17,600 for additional components to enhance the water plant. She said

that the TCEQ will be notified by letter of the District's intent to use surplus funds for these water plant projects.

After review and discussion, Director McMahon moved to approve Pay Estimate No. 6 in the amount of \$259,717.50 and the District's share in the amount of \$9,180.00 and to authorize notification to the TCEQ of the District's intent to use surplus funds for the water plant projects. Director Reiter seconded the motion, which passed by unanimous vote.

WATERFORD ON LAKE TRAVIS, SECTION 5

Mr. Bourgeois said that comments from reviewing entities on the plans for Waterford on Lake Travis, Section 5 are being addressed. He said that advertising for this project should begin in late March or April.

WATERFORD ON LAKE TRAVIS, SECTION 4B

Mr. Bourgeois said that Waterford on Lake Travis, Section 4B is on hold.

OTHER ENGINEERING MATTERS

Mr. Bourgeois said that Jones & Carter is working with various contractors on the one-year punch lists for Waterford on Lake Travis, Section 6 and the wastewater treatment plant, phase 2. He said that Jones & Carter is working with Payton to obtain an estimate to coat the interior of the 50 gallon per minute package plant.

There were no further engineering matters for discussion. Director McMahon moved to approve the engineer's report. Director Ernst seconded the motion, which passed by unanimous vote.

REPORT ON DEVELOPMENT; LETTER OF CREDIT

Mr. Bourgeois reviewed an updated analysis of the letter of credit for the water plant phase 3 expansion project. He said that based on the costs paid to date by the developer, the Letter of Credit could be reduced to \$1,320,000 and further reduced to \$900,000 contingent upon receipt of payment by Jones & Carter for engineering fees and payment to the contractor for work already invoiced. Mr. Johnson said that his bank is processing the pay estimates. Ms. Covan said that American Bank of Texas has requested a letter from the District expressing the District's approval of the reduction in the amount of the Letter of Credit. After review and discussion, Director Taylor moved to authorize a reduction in the Letter of Credit from \$1,575,000 to \$900,000, contingent upon receipt of payment by Jones & Carter for engineering fees and payment to the contractor for invoiced work and to authorize Director Reiter to sign a letter to American Bank of Texas. Director Ernst seconded the motion, which passed by unanimous vote.

CONVENE IN EXECUTIVE SESSION PURSUANT TO CHAPTER 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board did not convene in Executive Session.

REVIEW BIDS, AWARD SALE OF THE DISTRICT'S \$3,570,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2010

Mr. Rathmann distributed and reviewed with the Board a summary of the five bids received for the District's Unlimited Tax Bonds, Series 2010 (the "Bonds"), a copy of which is attached.

The Board considered award of the sale of the Bonds. Mr. Rathmann stated that all of the bids had been checked for mathematical accuracy and that the low bid was submitted by The GMS Group, LLC with a net effective interest rate of 5.347506%. He recommended that the District accept the bid from The GMS Group, LLC, as submitted.

Director Reiter moved to award the sale of the District's Bonds to The GMS Group, LLC with a net effective interest rate of 5.347506%. Director McMahon seconded the motion, which passed by unanimous vote.

RESOLUTION AUTHORIZING ISSUANCE OF THE DISTRICT'S \$3,570,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2010

The Board considered adopting a Resolution Authorizing the Issuance of the District's Bonds (the "Resolution"). Mr. Lary reviewed the provisions of the Resolution with the Board. After review and discussion, Director Taylor moved to adopt the Resolution and direct that the Resolution be filed appropriately and retained in the District's official records. Director McMahon seconded the motion, which passed unanimously.

PAYING AGENT/REGISTRAR AGREEMENT

The Board considered approving the Paying Agent/Registrar Agreement with The Bank of New York Mellon Trust. Mr. Lary stated that the Agreement sets forth, among other things, the provisions by which the paying agent/registrar will handle registration, transfer and payment of the District's Bonds. Director Taylor moved to approve the Paying Agent/Registrar Agreement with The Bank of New York Mellon Trust. Director McMahon seconded the motion, which passed by unanimous vote.

OFFICIAL STATEMENT

The Board considered approving the Official Statement. After review and discussion, Director Taylor moved to approve the Official Statement. Director McMahon seconded the motion, which passed by unanimous vote.

AUTHORIZE BOARD OF DIRECTORS TO SIGN ALL DOCUMENTS RELATING TO THE BOND SALE AND AUTHORIZE ATTORNEY AND FINANCIAL ADVISOR TO TAKE ALL NECESSARY ACTION TO DELIVER BONDS TO THE PURCHASER

Mr. Lary explained that there would be various documents and certificates relating to the closing of the bond sale that would require execution by the Board prior to closing. Director Taylor moved to authorize the execution of the documents related to the District's Bonds and authorize the attorney and financial advisor to do all things necessary and consistent with the Bond Resolution to deliver the bonds to the purchaser. Director McMahon seconded the motion, which passed by unanimous vote.

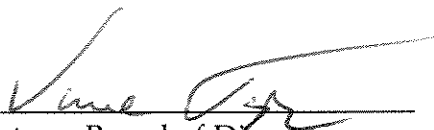
AMENDMENT TO INFORMATION FORM

The Board considered authorizing execution of the Amendment to Information Form providing information regarding the District's Bonds. After review and discussion, Director Taylor moved to authorize execution of the Amendment to Information Form, authorize ABHR to file the Amendment to Information Form with the TCEQ and Travis County and direct that the Information Form be appropriately filed and retained in the District's official records. Director McMahon seconded the motion, which passed by unanimous vote.

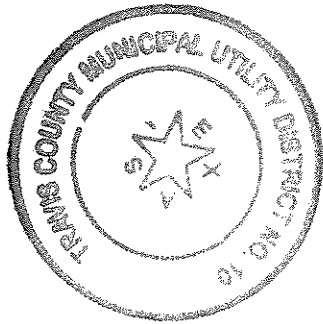
DEVELOPER REIMBURSEMENT AUDIT AND AUTHORIZE DISBURSEMENT OF BOND PROCEEDS

Discussion ensued regarding the draft developer reimbursement audit prepared by McCall Gibson Swedlund Barfoot, PLLC. Ms. Covan said that developer interest has not yet been computed by the auditor. Mr. Bourgeois said that under the Settlement Agreement (the "Agreement") between Waterford LT Partners and Waterford on Lake Travis, Waterford on Lake Travis, the District's prior developer, retained the right to reimbursement for a portion of the water plant site and lift station no. 1 site. The Board discussed consenting to the Agreement and the assignment of certain property stated in the Agreement from Waterford on Lake Travis to Waterford LT Partners. After review and discussion, Director Taylor moved: 1) to consent to the Agreement and assignment of property in the Agreement; and 2) approve the developer reimbursement audit, subject to the auditor's confirmation of the appropriate party to receive reimbursement for a portion of the water plant site and lift station no. 1 site, computation of the developer interest and subject to final review. Director Reiter seconded the motion, which passed by unanimous vote.

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


Secretary, Board of Directors

(SEAL)



ATTACHMENTS TO THE MINUTES

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