

MINUTES OF ORGANIZATIONAL MEETING  
OF  
REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT

STATE OF TEXAS           §  
  §  
COUNTY OF HAYS         §

The organizational meeting of the Board of Directors of Reunion Ranch Water Control and Improvement District, open to the public, was held on November 11, 2005, at 13655 Camp Ben McCullough Road/FM 1826, Austin, Texas 78737, pursuant to notice duly given in accordance with law.

1.     CALL TO ORDER

The meeting was called to order.

2.     ROLL CALL OF DIRECTORS

A roll call of the Directors was taken. The Directors present were Danny Krause, Jim Boles, Dick Rathgeber, Bill Peckman and David Baggett. All Directors were present.

Also present at the meeting were Bill Flickinger, Jeniffer Concienne, Jeff Garrett, Gary Spoonst, Larry Treuter, Carol Polumbo, Garry Kimball, Bob Wunsch and John Noell.

3.     CITIZEN COMMENTS

There were not citizen comments.

4.     AFFIDAVITS, OATHS OF OFFICE AND BONDS FOR DIRECTORS

Jeniffer Concienne asked the Directors to raise their right hand and had each of them subscribe and swear to the Statements of Appointed Officers and the Oaths of Office, subscribing the Oaths in duplicate. Mr. Flickinger discussed the Director's bonds as included in the agenda package.

5.     ELECTION OF OFFICERS

Jim Boles nominated Danny Krause to serve as President. Motion was made that nominations cease and that Danny Krause be elected by acclamation. The motion carried unanimously. Dick Rathgeber nominated Jim Boles to serve as Vice-President. Motion was made that nominations ceases and that Jim Boles be elected by acclamation. The motion carried unanimously. Danny Krause nominated Bill Peckman to serve as Secretary. Motion was made that nominations cease and that Bill Peckman be elected by acclamation. The motion carried unanimously. Jim Boles nominated Dick Rathgeber to serve as Assistant Secretary. Motion was

made that nominations cease and that Dick Rathgeber be elected by acclamation. The motion carried unanimously. Bill Peckman nominated David Baggett to serve as Assistant Secretary. Motion was made that nominations cease and that David Baggett be elected by acclamation. The motion carried unanimously.

6. INSTALLATION OF DISTRICT SIGNS

Attorney Bill Flickinger discussed the installation of District signs with the Board. The Manager and engineer will work on doing this. No action is required.

7. DESIGNATE LOCATION FOR POSTING OF MEETING NOTICES IN THE DISTRICT

Attorney Bill Flickinger explained designating a location for posting notices of meetings in the District. A designation was presented in the agenda package as being notices shall be posted on the front door of the residence at 13655 Camp Ben McCullough Road/FM 1826, Austin, Texas 78737. After discussion, motion was made by Dick Rathgeber and seconded by Jim Boles to adopt the Designation of Location for Posting Notices of Meetings within the District as the front door of the residence at 13655 Camp Ben McCullough Road/FM 1826, Austin, Texas 78737. The motion carried unanimously.

8. DISTRICT SEAL

Jeniffer Concienne presented and described the District seal as containing the words "Reunion Ranch Water Control and Improvement District, Texas, 2005" in a circle. Motion was made by David Baggett and seconded by Jim Boles to adopt the official seal of the District. The motion carried unanimously.

9. INSURANCE

Attorney Bill Flickinger presented the insurance documents from AquaSurance, L.L.C., as included in the agenda package. Mr. Flickinger discussed the coverages with the Board. Motion was made by Danny Krause and seconded by Bill Peckman to accept the insurance coverage for Hired & Non-Owned Auto, Directors & Officers Liability, Director Bond, Consultant Bond and General Liability as presented. The motion carried unanimously.

10. DISTRICT REGISTRATION FORM

Jeniffer Concienne advised the Board that the District Registration Form will be filed with the TCEQ giving the names of the Directors, their respective offices, business addresses, phone numbers and other information concerning the District.

11. SECTION 49.455, WATER CODE INFORMATION FORM

Attorney Bill Flickinger stated that the Information Form is required by the Texas Water Code. Mr. Flickinger explained that the form is designated for purchasers to be made aware that they will be living in a water district. The Information Form will be filed with the TCEQ and Hays County Clerk. Motion was made by Dick Rathgeber and seconded by David Baggett to approve the Information Form as presented. The motion carried unanimously.

12. RESOLUTION AUTHORIZING DIRECTOR'S FEES

Attorney Bill Flickinger discussed the Resolution on Director's Fees as included in the agenda package. After discussion, motion was made by President Danny Krause and seconded by Jim Boles to approve the Resolution as presented. The motion carried unanimously.

13. RESOLUTION ESTABLISHING OFFICES, MEETING PLACES AND REGULAR MEETING TIMES

Attorney Bill Flickinger presented a Resolution Establishing Offices and Meeting Places. The version in the agenda package has been revised to take out the paragraph dealing with regular meeting dates. Mr. Flickinger explained that right now, the Board will not meet on a regular basis. Motion was made by David Baggett and seconded by Bill Peckman to adopt the Resolution as presented. The motion carried unanimously.

14. ADOPTION OF FISCAL YEAR

Attorney Bill Flickinger explained that most political subdivisions adopt a fiscal year beginning October 1 and ending September 30. After discussion, motion was made by David Baggett and seconded by Jim Boles to adopt the period from October 1 through September 30 as the District's fiscal year. The motion carried unanimously.

15. APPOINTMENT OF DISTRICT'S GENERAL COUNSEL

Attorney Bill Flickinger presented the contract between the District and Willatt & Flickinger to the Board as included in the agenda package. Jim Boles inquired if Willatt & Flickinger represented any other water districts. Mr. Flickinger advised him that the firm represented other districts as well. Motion was made by Jim Boles and seconded by Dick Rathgeber to appoint Willatt & Flickinger as the District's general counsel. The motion carried unanimously.

16. APPOINTMENT OF DISTRICT'S BOND COUNSEL

Carol Polumbo introduced herself to the Board. Ms. Polumbo presented the contract between the District and McCall, Parkhurst & Horton with the Board as included in the agenda package. Ms. Polumbo discussed the possible bond election to be held in May, 2006. After discussion, motion

was made by David Baggett and seconded by Jim Boles to appoint McCall, Parkhurst & Horton as the District's bond counsel. The motion carried unanimously.

17. APPOINTMENT OF DISTRICT'S ENGINEER

Engineer John Noell introduced himself to the Board and presented his contract with the District as included in the agenda package. Motion was made by Bill Peckman and seconded by David Baggett to appoint Urban Design Group as the District's engineer. The motion carried unanimously.

18. APPOINTMENT OF DISTRICT'S MANAGER

Gary Spoonst introduced himself and Jeff Garrett. A memorandum was presented in lieu of the management contract. The memorandum outlined deal points of the contract. After discussion, this item will be placed on the next agenda for action.

19. APPOINTMENT OF DISTRICT'S FINANCIAL ADVISOR

Garry Kimball with First Southwest Company introduced himself to the Board. Mr. Kimball reported that they represent a number of water districts. Mr. Kimball presented his contract with the District to the Board as included in the agenda package. Motion was made by Jim Boles and seconded by Dick Rathgeber to appoint First Southwest Company as the District's financial advisor. The motion carried unanimously.

20. ASSIGNMENT TO THE DISTRICT OF THE FOLLOWING CONTRACTS:

- a. Sawyer Ranch/Darden Hill Water Line Cost-Sharing Agreement, with the effective date July 27, 2004, between Cypress-Hays, L.P., a Delaware limited partnership ("Cypress") LSM Ranch, Ltd., a Texas limited partnership ("LSM"), SGL Investments, Ltd., a Texas limited partnership ("SGL"), Hays Reunion Ranch, LP, a Texas limited partnership ("Reunion"), and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating Under Chapters 49 and 51, Texas Water Code ("Greenhawe WCID")
- b. Agreement for Construction and Conveyance of, and Reimbursement for Phases One and Three of Sawyer Ranch/Darden Hill Water Line, effective May 4, 2005 between the Lower Colorado River Authority, a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution and Chapter 222 of the Texas Water Code ("LCRA"), Rock Creek Holdings, L.P., formerly known as Cypress-Hays, L.P., a Delaware limited partnership ("Rock Creek"); LSM Ranch, Ltd., a Texas limited partnership ("LSM"); SGL Investments, Ltd., a Texas limited

partnership (“SGL”); Hays Reunion Ranch, LP, a Texas limited partnership (“Reunion”) and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating under Chapters 49 and 51, Texas Water Code (“Greenhawe WCID”)

- c. Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline between Lower Colorado River Authority, Pulte Homes of Texas L.P., Rock Creek Holdings, L.P., LSM Ranch, Ltd., SGL Investments, Ltd., Hays Reunion Ranch, LP, and Greenhawe Water Control and Improvement District No. 2, effective January 5, 2005 by and between the Lower Colorado River Authority, a conservation and reclamation district created and functioning under Article XVI, Section 59 of the Texas Constitution (“LCRA”), Pulte Homes of Texas, L.P. (“Pulte”), a Texas limited partnership; Rock Creek Holdings, L.P., formerly known as Cypress-Hays, L.P., a Delaware limited partnership (“Rock Creek”); LSM Ranch, Ltd., a Texas limited partnership (“LSM”); SGL Investments, Ltd., a Texas limited partnership (“SGL”); Hays Reunion Ranch, LP, a Texas limited partnership (“Reunion”) and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating under Chapters 49 and 51, Texas Water Code (“Greenhawe WCID” or “Greenhawe”), and the First Amendment to that Certain Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline Between Lower Colorado River Authority, Pulte Homes of Texas L.P., Rock Creek Holdings, L.P., LSM Ranch, Ltd., SGL Investments, Ltd., Hays Reunion Ranch, LP, and Greenhawe Water Control and Improvement District No. 2, effective January 5, 2005
- d. Water Sale Contract for Municipal Uses by and between Lower Colorado River Authority and Hays Reunion Ranch, L.P.
- e. Water Services Agreement between Lower Colorado River Authority and Hays Reunion Ranch, L.P.

Attorney Bill Flickinger advised the Board that the parties in the above contracts will need 60 days notice to assign the contracts. Bob Wunsch stated he will write up bullet points for each of the contract and distribute to the Board. After discussion, motion was made by President Danny Krause and seconded by Jim Boles to approve submitting notice to assign the foregoing contracts. The motion carried unanimously.

21. CODE OF ETHICS AND FINANCIAL INVESTMENT, TRAVEL AND PROFESSIONAL SERVICES POLICY

Attorney Bill Flickinger discussed the Code of Ethics with the Board. Garry Kimball advised that he had looked at the financial issues, and it looked good to him. After discussion, motion was made by Dick Rathgeber and seconded by Jim Boles to adopt the Code of Ethics and Financial Investment, Travel and Professional Services Policy as presented. The motion carried unanimously.

22. APPOINTMENT OF DISTRICT INVESTMENT OFFICER

Attorney Bill Flickinger informed the Board that ECO Resources, Inc. already takes the training as required for investment officer. Motion was made by David Baggett and seconded by Bill Peckman to appoint Jeff Garrett at ECO Resources, Inc. as the District's investment officer. The motion carried unanimously.

23. AUTHORIZE ENGINEER TO PREPARE REPORT TO SUPPORT BOND AND MAINTENANCE TAX ELECTION

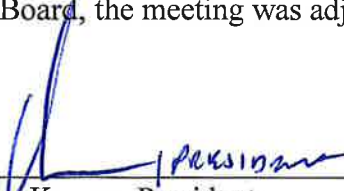
Attorney Bill Flickinger reported that a draft report has been started. This report will need to be done before a bond election can be held. After discussion, motion was made by Dick Rathgeber and seconded by Jim Bole to authorize the District's engineer to update the report to support a bond and maintenance tax election. The motion carried unanimously.

24. DEVELOPER REIMBURSEMENT AGREEMENT

Attorney Bill Flickinger presented a compare-write version of the Utility Construction Agreement. Mr. Flickinger explained the changes with the Board. The purpose of the Utility Construction Agreement is to reimburse the developer from bond proceeds at such time the District issues bonds. After discussion, motion was made by Dick Rathgeber and seconded by Danny Krause to approve the revised Utility Construction Agreement as presented. The motion carried unanimously.

25. ADJOURN

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

  
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Danny Krause, President  
Reunion Ranch WCID

ATTEST:



Bill Peckman, Secretary  
Reunion Ranch WCID

