

MINUTES OF REGULAR MEETING OF
SONTERRA MUNICIPAL UTILITY DISTRICT
Thursday, January 20, 2011

STATE OF TEXAS §
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COUNTY OF WILLIAMSON §

The Board of Directors of Sonterra Municipal Utility District (the “District”) held a regular meeting, open to the public, at 10:30 a.m., at 113 Limestone Terrace, Jarrell, Texas, inside the boundaries of the District, on the 20th day of January, 2011, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Bill Gravell	President
Lenn Schwarz	Vice President
William Frymire	Secretary
Trisha Allen	Treasurer/Assistant Secretary
Erma Wedge	Director

and all of said persons were present, except Director Wedge, thus constituting a quorum. Also in attendance were Theron and Ellie Vaughan; Andy Bilger; Jason Jones of Jones-Heroy Engineers; Robert Anderson of Crossroads Utility Services; Autumn Phillips of Municipal Accounts & Consulting, L.P.; Bob West of West, Davis, & Company, Inc.; Jason Krueger of SEFCO; David Star and Manny Aikeva owners of the Sonterra Apartment Complex; Tom Brown of Naismith Engineering and Sheila Cunningham of Jarrell-Schwertner Water Supply Corporation (Mr. Brown and Ms. Cunningham entered the meeting as noted below); and Ronald J. Freeman of Freeman & Corbett.

1. First, the Board considered approval of the minutes of the Board’s November 18, 2010 meeting. By unanimous acclamation, the Board approved the minutes subject to revising the last sentence of Item 3 to indicate that Mr. Bilger was authorized to reserve a block of rooms at the AWBD conference for any directors wishing to attend.

2. The Board then considered the District’s Fiscal Year 2010 audit. Mr. West explained the audit to the Board. After discussion, Director Allen made a motion to approve the District’s audit for Fiscal Year 2010. Director Frymire seconded the motion, which the Board passed unanimously.

3. Next, the Board considered the Director Reimbursement Policy. Mr. Freeman and Ms. Phillips explained the policy to the Board. After discussion, Director Gravell made a motion to approve the Reimbursement Policy subject to revising it to include Ms Phillip’s guidelines. Director Frymire seconded the motion, which the Board passed unanimously.

4. The Board then considered the list of qualified brokers for the District’s financial investments. Ms. Phillips explained the list the Board. Director Frymire made a motion to approve the list of qualified brokers for the District’s financial investments. Director Allen seconded the motion, which the Board passed unanimously. A copy of the list of qualified brokers for the District’s financial investments is attached as an exhibit to these minutes.

5. The next item was consideration of the bills and invoices. Ms. Phillips presented a list of bills and invoices to the Board and explained the Bookkeeper's Report. Ms. Phillips also handed out a supplemental sheet to the Bookkeeper's Report. Ms. Phillips recommended that the Board approve all the bills and invoices as set forth on the supplemental list except she recommended voiding Check No. 6073 for Director Wedge's director fee and holding Check No. 6091 to Verizon. Ms. Phillips also requested the Board approve a check to the TCEQ for regulatory fees but explained that the amount of the fees due would not be determined until later in the week, but since the check was due at the end of January, she wanted Board approval for the check now. Director Frymire made a motion to approve the bills and invoices as recommended by Ms. Phillips except Check No. 6073 for Director Wedge's director fee, to authorize Ms. Phillips to hold Check No. 6091 to Verizon, and to approve a check being written to the TCEQ for regulatory fees due by the end of January. Director Allen seconded the motion, which the Board passed unanimously. A copy of the list of bills and invoices is attached to these minutes.

6. The Board then considered the Utility Operator's Report. Mr. Anderson gave a brief update on the status of development within the District. After discussion, Director Schwarz made a motion to authorize Mr. Anderson, on a routine and continuing basis, to write off customers with a past due balance of 90 days and to refer those customers to the collection agency. Director Frymire seconded the motion, which the Board passed by a vote of three for and one (Director Allen) against.

7. The Board then considered the Developer's Report. Mr. Vaughan gave a brief update on the status of development within the District. No action was taken by the Board.

8. The Board then considered the Construction Manager's Report. Mr. Bilger reported that he would like to have new phone lines installed for the District at the District's offices. Director Allen made a motion to approve Mr. Bilger to obtain bids for installing the phone lines for the District. Director Schwarz seconded the motion, which the Board unanimously approved.

9. Next, the Board considered changing the newspaper of record to the Jarrell Star Ledger. Director Gravell said the matter would be tabled to the next meeting.

10. The Board next considered the Engineer's Report. Jason Jones updated the Board on the status of the District's first Bond Issue. Then, Mr. Jones updated the Board on the status of the JSWSC emergency interconnect. Next, Mr. Jones recommended the Board approve the following pay estimates and change orders:

- A. Pay Estimate No. 1
JSCSC Emergency Interconnect
JHA Jon No. 0061-057
\$37,531.65

- B. Change Order No. 6
JSCSC Emergency Interconnect
JHA Jon No. 0061-057
\$1,838.00 (Deduction)

- C. Pay Estimate No. 5
Sonterra West, Section 8B
JHA Job No. 0061-065
\$7,948.31

Upon a motion by Director Frymire and a second by Director Schwarz, the Board unanimously approved the above referenced pay estimates and change order. Copies are attached as exhibits to these minutes.

Tom Brown and Sheila Cunningham entered the meeting at this time.

11. The Board then considered the General Counsel's Report. Mr. Freeman presented a brief report to the Board, including that he and Mr. Dietz did not recommend taking any additional action against any other former attorneys of the District or the surveyor who had surveyed the boundaries of the District for the validation suit because any claim in either action would be very difficult to prove and any possible damages would be insufficient to justify filing and prosecuting the suit. No action was taken by the Board.

12. The Board then considered leasing office space in the District's building to the Jarrell Star Ledger. After discussion, Director Gravell made a motion to approve leasing office space in the District's building to the Jarrell Star Ledger for 24 months, at a rate of \$250.00 a month for the first 12 months of the lease and \$300 a month for the second 12 months of the lease. Director Schwarz seconded the motion, which the Board passed unanimously.

13. Next, the Board considered the Regional Water Study Draft Report. Tom Brown of Naismith briefed the Board on the findings in the Draft Report. After discussion, Director Gravell made a motion to approve Naismith Engineering on behalf of Sonterra MUD to ask the TWDB and other parties to the study to include Corn Hill Regional Water Authority as a recommended strategy in the final Report. Director Allen seconded the motion, which the Board passed unanimously.

14. The Board then considered adopting a resolution regarding creation of the proposed Corn Hill Regional Water Authority. Director Gravell and Mr. Freeman explained the proposed legislation to the Board. After discussion, Director Gravell made a motion to adopt a resolution requesting the creation of the Corn Hill Regional Water Authority. Director Allen seconded the motion, which the Board passed unanimously. A copy of the Resolution is attached as an exhibit to these minutes.

15. Next, the Board considered the Parks and Wildlife Department grant application. Mr. Brown updated the Board on the status of the grant application. After discussion, Director Gravell made a motion to authorize Mr. Brown to resubmit the park grant application and to submit a new application for a trail grant. Director Frymire seconded the motion, which the Board passed unanimously.

There being no further business to come before the Board, the meeting was adjourned at approximately 3 p.m.

(SEAL)

Secretary, Board of Directors