

WALSH RANCH MUNICIPAL UTILITY DISTRICT

PUBLIC NOTICE OF REGULAR MEETING

TAKE NOTICE THAT A REGULAR MEETING OF THE
Board of Directors of
Walsh Ranch Municipal Utility District
Will be held at 4201 West Parmer Lane, Suite B-200
Austin, Texas 78727

in Travis County, Texas, commencing at 11:30 a.m. on April 20, 2011, said meeting being open to the public, for the Board of Directors to consider and act upon any lawful subject which may come before it, including among others, the following:

AGENDA:

1. Call to order.
2. Roll call of Directors.
3. Read, correct and consider approval of the Minutes from the November 10, 2010 Board of Directors' meeting.
4. Citizen comments. [This is an opportunity for citizens to address the Board of Directors concerning an issue of community interest that is not on the agenda. Comments on the agenda items must be made when the agenda item comes before the Board. The President may place a time limit on all comments. The response of the Board to any comment under this heading is limited to making a statement of specific factual information in response to the inquiry, or, reciting existing policy in response to the inquiry. Any deliberation of the issues is limited to a proposal to place it on the agenda for a later meeting.]
5. Manager's summary of operations. Review and consider approval of January, February, and March 2011 Manager's Reports.
6. Bookkeeper's summary of finances. Review and consider approval of Bookkeeper's Reports dated February 14, March 14, and April 20, 2011, including approval of fund transfers and director and vendor payments.
7. Committee Reports – Finance, Landscape, Pond Maintenance, Legal Matters and Manager Operations.
8. Consider whether to take action to create a driveway barrier next to 3935 and 3940 Walsh Ranch Cove that would restrict vehicular access to the District's wet pond. (This item was raised at the January Board meeting. A complaint was made that someone drove

their car in this area when it was wet, creating deep ruts. I believe the affected area is located between 3935 and 3940 Walsh Ranch Cove.)

9. Consider approval of a resolution authorizing Director Brian White to approve bookkeeper requests to transfer funds between District accounts, without the joinder of other Board members. (This item was raised at the January Board meeting to streamline interfund transfer approvals. It only applies to transfers between District accounts.)
10. Discussion of the process and timeline for obtaining proposals for smoke testing of the District's wastewater lines, and consideration of joint testing with the school for efficiency purposes. (The District is required to test its wastewater lines for leakage in 2011. This item is designed to identify the critical path to timely accomplish the testing, and to identify the person in charge of obtaining bids.)
11. Review the District's Investment Policy and Investment Strategies, and consider a resolution approving such Policy, in accordance with Public Funds Investment Act § 2256.005. (The Board is required by law to review its Investment Policy each year.)
12. Review and consider ratification of Director Shamsie's renewal of the Board's D&O Liability Policy and Directors' Bonds with Aquasurance. (Insurance renewal was due between meetings, and Director Shamsie renewed the policy and bonds. This item is for the Board to review and consider ratification of the renewal.)
13. Review and consider approval of a resolution authorizing any Board member to renew the District's current insurance policies when due, unless the price increases by more than 10% or coverage substantially decreases. (I am suggesting this agenda item as a way to streamline the process of renewing the District's insurance policies.)
14. Review and consider approval of proposals for audit services for the District's annual audit. (Director Shamsie is soliciting proposals for audit services.)
15. Review and consider approval of a proposed modification to the District's engagement agreement with McLean & Howard, LLP. (Our firm is proposing a modification to our engagement agreement that would increase attorney billing rates and clarify that we do not charge for services provided by non-attorneys. Both the current and proposed engagement agreements are in your packet.)
16. Discuss that date of the next meeting, and items that need to be on the agenda for the next regular meeting.

Adjourn.

The Board may go into closed session at any time when permitted by Chapter 551, Government Code. Before going into closed session a quorum of the Board must be assembled in the meeting room, the meeting must be convened as an open meeting pursuant to proper notice, and the presiding officer must announce that a closed session will be held and must identify the sections of Chapter 551, Government code, authorizing the closed session.

(SEAL)

Attorney for the District

The District is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request. Please call Patrick Hudson, McLean & Howard, L.L.P., at (512) 328-2008, for information.

WALSH RANCH MUNICIPAL UTILITY DISTRICT

MINUTES OF REGULAR MEETING OF BOARD OF DIRECTORS

January 26, 2011

A meeting of the Board of Directors of Walsh Ranch Municipal Utility District was held at 4201 West Parmer Lane, Suite B-200, Austin, Texas 78727, commencing at 11:30 a.m. on January 26, 2011, pursuant to notice duly given in accordance with the Open Meetings Act. An Affidavit of Filing and Posting Notice is attached hereto as **Exhibit A**.

- 1. Call to Order.** At approximately 11:30 a.m. on January 26, 2011, Director Rashid D. Shamsie, Jr., called the meeting to order.
- 2. Quorum of Directors.** Present at the meeting and constituting a quorum of the full Board of Directors were the following persons:

Christopher Hatch
Laurie Mahnke
Rashid D. Shamsie, Jr.
Bryan White

Also present and attending all or part of the meeting were the following persons:

Mary Bott, Bott & Douthitt, PLLC
Kim Chapman, Maxwell Locke and Ritter, LLP
Stephanie Hahn, Walsh Ranch Homeowner's Association
Patrick Hudson, McLean & Howard, L.L.P.
Andrew Hunt, Southwest Water Company
Jim Michaud, Walsh Ranch Homeowner's Association
Allan and Yvonne Trask, residents of Walsh Ranch subdivision
Jessica Winters, McLean & Howard, L.L.P.

- 3. Approval of Meeting Minutes from November 10, 2010 Meeting.** After reviewing the minutes from the prior meeting, on motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the minutes of the meeting of November 10, 2010 have been reviewed by the Directors and are hereby approved as presented, without modification, and adopted as the minutes of such meeting.

4. **Citizen Comments.** The Board of Directors provided an opportunity for citizens to address the Board of Directors concerning issues of community interest. Alan Trask, a resident of the Walsh Ranch subdivision, introduced himself to the Board and asked about whether the MUD had the ability to build or purchase additional recreational facilities. Patrick Hudson described the rules applicable to municipal utility districts that are purchasing recreational facilities, and answered Mr. Trask's related follow-up questions.

5. **Manager's Reports.** The Board reviewed the November and December 2010 Manager's Reports, copies of which had been circulated prior to the meeting. Andrew Hunt presented the manager's summary of operations. Mr. Hunt reported that one last credit card agreement needed to be finalized before online payment can be established, and Mr. Hunt indicated that the agreement would be completed soon. Mr. Hunt reported that the transition of general manager from Southwest Water Company to Crossroads is complete. On motion made, seconded, and unanimously carried, the following resolution was adopted:

RESOLVED that the November and December 2010 Manager's Reports, true and correct copies of which are attached hereto as **Exhibit B**, are hereby approved and adopted by the Board.

6. **Approval of Bookkeeper's Reports.** Mary Bott presented the Bookkeeper's Reports, including fund transfers and vendor payments. Ms. Bott reported that bond payments are due soon, and she requested Board approval of those payments. Ms. Bott discussed the planned transfer of monies and tax collections. The Board reviewed the Bookkeeper's Reports dated December 3, 2010 and January 10, 2011, copies of which had been previously circulated. On motion made, seconded, and unanimously carried, the following resolutions were adopted:

RESOLVED that the December 3, 2010 and January 10, 2011 Bookkeeper's Reports, including fund transfers, bond and vendor payments, true and correct copies of which are attached hereto as **Exhibit C**, are hereby approved and adopted by the Board.

7. **Review and Discussion of Committee Reports.** The Board provided opportunity for the following 5 committees to make reports on notable developments: Finance, Landscape, Pond Maintenance, Legal Matters, and Manager Operations. Director Brian White, head of the Finance Committee, reported that he had spent time discussing District finances with Mary Bott, and he shared some of the information and processes that he had learned. Director White invited Ms. Bott to discuss the District's accounts, and Ms. Bott described each District account, and the purpose behind each District account. No other committee reports were received.

8. Review and Approval of Annual Audit Prepared by Maxwell Lock & Ritter, LLP.

The Board reviewed the annual audit prepared by Maxwell Lock & Ritter, LLP (formerly Pena Swayze & Co., L.L.P.). Kim Chapman presented and discussed each section of the audit. Ms. Chapman stated that the audit is a clean audit with no major issues. Ms. Chapman answered the Directors' questions about the audit throughout her discussion. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the District's annual audit prepared by Maxwell Lock & Ritter, LLP, a true and correct original of which is attached hereto as **Exhibit D**, is hereby approved and adopted by the Board, and general counsel is hereby directed to cause the audit to be filed with TCEQ.

9. Discussion and Consideration of Taking Actions on Alternatives for Management and Ownership of the Pool and Amenity Center.

The Board discussed alternatives for management and ownership of the pool and amenity center, including without limitation, (a) the possibility of transferring the pool and amenity center to the Walsh Ranch Homeowner's Association; and (b) having the Association manage the pool and amenity center on the District's behalf. The Board discussed cost implications, daily management, and liability implications, and no clear consensus emerged. The Board took no action on this item.

10. Review and Approval of Revised Rate Order for the District. The Board reviewed and discussed the Revised Rate Order for the District that makes changes consistent with the new general manager's account setup fees and makes other minor changes. The Board discussed charging the same \$33 base utility fee for residents who have either 3/4 or 5/8 inch meters, instead of charging a higher base fee for those customers with the larger meters. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Order Establishing Water and Wastewater Service Rates, and Charges and Establishing Water and Wastewater Tap Fees and Capital Recovery Fees and Adopting Certain General Policies with Respect to the District's Water, Wastewater and Drainage Systems, a true and correct original of which is attached hereto as **Exhibit E**, is approved and adopted by the Board.

11. Review and Approval of Resolution Requesting Certified Estimate of 2011 Taxable Assessed Value from the Williamson County Appraisal District.

The Board reviewed and discussed a resolution requesting the certified estimate of 2011 taxable assessed value from the Williamson County Appraisal District. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Resolution for Requesting Certified Estimate of 2011 Taxable Assessed Value from the Williamson County Appraisal District, a true and correct copy of which is attached hereto as **Exhibit F**, is hereby approved and adopted by the Board.

12. Approval and Ratification of the Professional Services Contract from Crossroads Utility Services, LLC. The Board reviewed and discussed the professional services contract between the District and Crossroads Utility Services, LLC, and found that it was consistent with Crossroads' proposal. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Professional Services Contract between the District and Crossroads Utility Services, LLC, a true and correct original of which is attached hereto as **Exhibit G**, is approved and ratified by the Board.

13. Review and Approval of Resolution Authorizing New Depository Account (Lockbox Clearing Account) at Compass Bank, Resolution Authorizing Consultant Representative, and Signature Cards. The Board reviewed and discussed a Resolution Authorizing a New Depository Account (Lockbox Clearing Account) at Compass Bank, Resolution Authorizing Consultant Representative, and Signature Cards. Andrew Hunt explained that customer payments were currently being mailed to Houston, and then sent back to Austin for processing and deposit, and that the lockbox clearing account would allow payments to be sent directly to Austin, where they would be deposited into this proposed new account that would be periodically "swept" into the District's operating account. After discussion, on motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Resolution Authorizing New Depository Account (Lockbox Clearing Account) at Compass Bank, Resolution Authorizing Consultant Representative, and Signature Cards, true and correct copies of which are attached hereto as **Exhibit H**, are hereby approved and adopted by the Board.

14. Review and Approval of Resolution Authorizing Check Writing and Transfer Authority. The Board reviewed and discussed a Resolution Authorizing Check Writing and Transfer Authority relating to the District's operating account. The Board discussed the number of authorized signatories on the operating account, and set the requisite number at 3 Directors. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Resolution Authorizing Check Writing and Transfer Authority, a true and correct copy of which is attached hereto as **Exhibit I**, is hereby approved and adopted by the Board.

15. Review and Approval of Resolution Authorizing Transfer of Surplus Funds Pursuant to 30 Texas Administrative Code Section 293.83(3). The Board reviewed and considered approval of the transfer of \$42,850.50 from the District's 2008 capital projects fund into the District's operating fund to pay for previous repairs to District facilities that were purchased with the 2008 bonds. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the Resolution Authorizing Transfer of Surplus Funds Pursuant to 30 Texas Administrative Code Section 293.83(3), a true and correct copy of which is attached hereto as **Exhibit J**, is hereby approved and adopted by the Board.

16. Discussion and Consideration of Amending the District's Record Retention Schedule by Adopting the Texas State Library and Archives Commission's Model Schedules. The Board discussed amending the District's record retention schedule to adopt the standard records retention schedules approved by the Texas State Library and Archives Commission. On motion made, seconded and unanimously carried, the following resolution was adopted:

RESOLVED that the District adopt the following Texas State Library and Archives Commission's model Records Retention Schedules:

- Schedule EL (Records of Elections and Voter Registration),
- Schedule GR (Records Common to All Governments),
- Schedule TX (Property Taxation),
- Schedule UT (Utility Services).

17. Next Meeting Date and Items to be on Agenda for Next Meeting. The Board discussed the next meeting date. The Board determined that the next regular Board meeting would be held on April 20, 2011.

18. Adjournment. There being no further business before the Board, on motion made, seconded and unanimously carried, the meeting was adjourned.

Executed to be effective on January 26, 2011.

WALSH RANCH MUNICIPAL UTILITY DISTRICT

By: _____

Name: _____

Title: _____

ATTESTATION:

By: _____

NAME: _____

TITLE: _____

[SEAL]

WALSH RANCH MUNICIPAL UTILITY DISTRICT

RESOLUTION AUTHORIZING TRANSFER OF FUNDS

STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

BE IT RESOLVED BY THE BOARD OF DIRECTORS OF WALSH RANCH MUNICIPAL UTILITY DISTRICT THAT:

The Board delegates to Director Brian White the authority to approve requests from the District's Bookkeeper to transfer funds between the District's accounts. Director White may approve such requests without the joinder of any other Director.

ADOPTED this 20th day of April, 2011.

Rashid D. Shamsie, Jr.
President, Board of Directors

ATTEST:

By: _____
Name: _____
Title: _____

[SEAL]

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WALSH RANCH MUNICIPAL UTILITY DISTRICT

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

March 24, 2010

ARTICLE I: DEFINITIONS

- 1.01. Board. "Board" means the Board of Directors of the District.
- 1.02. Business Entity. "Business Entity" means a sole proprietorship, partnership, firm, corporation, holding company, joint stock company, receivership, trust or any other entity recognized by law through which business is conducted.
- 1.03. Commission. "Commission" means the Texas Commission on Environmental Quality.
- 1.04. Director. "Director" means a person elected or appointed to serve on the Board of Directors of the District.
- 1.05. District. "District" means Walsh Ranch Municipal Utility District.
- 1.06. Employee. "Employee" means a person or Business Entity employed by the District.
- 1.07. Investment Officer. "Investment Officer" means a person appointed by the Board to handle District investment.
- 1.08. Officer. "Officer" means an elected or appointed officer of the District, including an Investment Officer.
- 1.09. Professional Services Procurement Act. "Professional Services Procurement Act" means Subchapter A, Chapter 2254, Texas Government Code, as amended from time to time.
- 1.10. Public Funds Investment Act. "Public Funds Investment Act" means Chapter 2256, Texas Government Code, as amended from time to time.
- 1.11. Public Funds Collateral Act. "Public Funds Collateral Act" means Chapter 2257, Texas Government Code, as amended from time to time.
- 1.12. Water Code. "Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE II: CODE OF ETHICS

2.01. Subject Matter. This Code of Ethics and Financial Investment, Travel and Professional Services Policy (this “Policy” or “Code of Ethics”) is adopted under Sections 49.157 and 49.199 of the Water Code and Public Funds Investment Act. The subject matter of this Policy is addressed by other statutes or the State of Texas, including those governing public meetings, public records, audits, financial management, disqualifications of board members, conflicts of interest, self-dealing and illegal and corrupt practices. This Policy is not intended to supersede or summarize other provisions of applicable law.

2.02. Statement of Policy: Purpose of Code.

A. It is the policy of the District that all District Directors, Officers, and Employees conduct themselves, both inside and outside District service, so as to give no occasion for mistrust of their integrity, impartially or devotion to the best interests of the District in the public trust which it holds.

B. This Code of Ethics has been adopted to establish guidelines for high ethical standards in official conduct by District Directors, and to provide guidance to District Directors in order to install a high level of public confidence in the Board’s professionalism, integrity and commitment to the public interest. Further, this Code of Ethics will serve as a basis for disciplining those who refuse to abide by the terms of this Policy.

2.03. Standards of Conduct.

A. All Directors will conduct themselves with decorum, both at public meetings and in other settings in which he or she may be viewed by the public as acting in an official capacity. All District Directors and Employees will treat each other, and any member of the public appearing at any meeting of the Board, with proper courtesy and respect.

B. No Director, Officer or Employee may disclose any confidential information, including information gained during any executive session of the Board.

C. No Director may engage in any conduct prejudicial to the District or that reflects discredit upon the Board.

D. All Directors must use care in taking any public position on any issue pertaining to the business of the District to distinguish between their individual opinions and the official position of the Board.

2.04. Conflicts of Interest.

A. No Director, Officer, or Employee may transact any business in his or her

official capacity with any person or Business Entity with whom or in which he or she has any interest, whether direct or indirect, without the prior approval of the Board, after disclosure and discussion at a posted Board meeting. The District may not transact any business with any Business Entity in which a District Director has any interest, whether direct or indirect, without the prior approval of the Board, after proper disclosure and discussion at a posted Board meeting.

B. No Director, Officer or Employee may represent, directly or indirectly himself or any private person, Business Entity, group or interest other than the District before the Board, except in matters of purely public concern and when doing so without compensation or remuneration.

C. If any Director has a personal pecuniary interest, direct or indirect, in any decision pending before the Board, that Director may not discuss or otherwise participate in the consideration of the matter, or vote on the matter, but must disclose the nature and extent of his or her interest in writing prior to any determination of the matter, and abstain from any vote thereon. This paragraph does not apply to any decision made by the Board affecting the District's tax rate, or other fees, charges and rates of the District.

2.05. Attendance. All Directors and Officers must consistently attend all meetings of the Board, including all regularly scheduled work sessions. As provided in Section 49.052 of the Water Code, any Director who misses one-half or more of the regular meetings of the Board scheduled within a 12-month period may be removed by the unanimous vote of the other Directors.

ARTICLE III: INVESTMENT POLICY

3.01. Scope. This Policy applies to all transactions involving the investment assets of the Director.

3.02. Policy. District funds will be invested in compliance with applicable legal requirements, the guidelines stated in this Policy, each District Investment Strategy, and the restrictions contained in the District's bond resolutions. Effective cash management is recognized as a foundation of this Policy. Notwithstanding the foregoing, investment of District funds is limited to types of investments set forth on the attached Exhibit "A".

3.03. Allowable Maturities. Unless otherwise stated in Exhibit "A", the maximum allowable stated maturity of any individual investment may not exceed 180 days and the maximum dollar-weighted average maturity for pooled fund groups based on the stated maturity date for the portfolio may not exceed 60 days. Settlement of all transactions, other than investments in investment pool funds and mutual funds, must be consummated on a delivery versus payment basis.

3.04. Investment Objectives. The District's investment portfolio will be planned and

managed to take advantage of investment interest as a source of income from all operating and capital funds. In addition, the portfolio will be managed in accordance with the covenants of the District's bond resolutions, including covenants with respect to arbitrage regulations under the U.S. Internal Revenue Code. Consideration will be given to the following objectives:

A. Safety of Capital. The primary objective of the District is to ensure the preservation and safety of principal.

B. Liquidity. The District will maintain sufficient liquidity to ensure the availability of funds necessary to pay obligations as they become due.

C. Return on Investment. The District will seek to optimize return on investments within the constraints of safety and liquidity.

D. Standard of Care. The District will seek to ensure that all persons involved in the investment process act responsibly in the preservation of District capital. District investments will be made with the exercise of judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

E. Investment Strategies. The District's Investment Strategies are set forth in Exhibit "B" attached hereto.

3.05. Investment Officer: Quarterly Report. Purchases and sales of District investments may only be initiated by an Investment Officer appointed by resolution of the Board. The District's Investment Officers will be required to attend training, in compliance with the Public Funds Investment Act, from an independent source approved by the Board that includes education in investment controls, security rights, strategy rights, market rights, and compliance with the Public Funds Investment Act. The Board may authorize an Investment Officer to invest and reinvest funds of the District in accordance with this Policy. The Investment Officers must submit a written report to the Board on at least a quarterly basis, which sets forth all investment transactions during the previous quarter and which complies with the requirements of the Public Funds Investment Act.

3.06. Acknowledgment Required. Any business that desires to sell investments to the District must be given a copy of this Policy, and a principal of the Business Entity must execute a written instrument stating that he or she:

A. Has received and thoroughly reviewed this Policy; and

B. Acknowledges that his or her organization has implemented reasonable procedures and controls in an effort to preclude "imprudent investment activities" from arising between his or her organization and the District.

A list of brokers selling investments to the District is attached hereto as Exhibit "C".

3.07. Collateralization. Funds held at a bank or trust company that are not invested must be collateralized by collateral securities set forth in the Public Funds Collateral Act, to the extent not covered by the Federal Deposit Insurance Corporation (FDIC), the Federal Savings and Loan Insurance Corporation (FSLIC), or their successors.

3.08. Review. This Policy and investment performance and security will be reviewed and evaluated at least annually by the Board, or more frequently upon the request of any Director. Following its annual review, and if a review is performed more frequently upon request of a Director, the Board will adopt a written resolution confirming its review of this Policy and the separate investment strategies adopted by the Board.

ARTICLE IV: FINANCIAL MANAGEMENT

4.01. Accounting Records. The District's financial records will be prepared on a timely basis and maintained in an orderly manner, in conformity with generally accepted accounting principals. These records will be available for public inspection during regular business hours at the District's office.

4.02. Audit Requirements.

A. Until such time as the District is required to file an audit under Section 49.191, Texas Water Code, the District will prepare and file either (i) an annual financial dormancy affidavit under Section 49.197, Water Code, or (ii) an annual financial report and affidavit under Section 49.198, Water Code.

B. At such time as the District is required to comply with Section 49.191, Texas Water Code, the District's fiscal accounts and records will be audited annually, at the expense of the District, by a certified public accountant. District audits will be performed according to generally accepted auditing standards adopted by the American Institute of Certified Public Accountants and any accounting and auditing manuals adopted by the executive director of the Commission. The District will comply with uniform reporting requirements that use "Audits of State and Local Governmental Units" as a guide on audit working papers and "Governmental Accounting and Financial Reporting Standards." In addition, the District's auditor will review management controls on District investments and the District's compliance with the Policy contained in Article III.

C. Within 135 days after the close of the District's fiscal year, the District will file a copy of its annual audit report and the annual filing affidavit prescribed by Section 49.194 of the Water Code with the Executive Director of the Commission. If the Board refuses to approve the annual audit report, the Board will file a statement with the audit that explains the reasons for disapproval.

4.03. Audit Committee. Upon the District's becoming financially active, the Board may establish an audit committee comprised of one or more Directors and any Employees the Board deems appropriate, and this committee will conduct, at a minimum, an annual review of the District's financial status. The audit committee will monitor variances from the District's budget, and make budget recommendations to the Board. The audit committee will also review the annual District audit, and make recommendations on it to the Board.

4.04. Budget. Upon the District's becoming financially active, the Board will adopt an annual budget for use in planning and controlling District costs. This budget will take into consideration all District revenues, including utility fees, taxes and surcharges, if any, and all projected District obligations and expenditures. The District manager will provide a comparison of budgeted expenditures and revenues to actual expenditures and revenues for review on a monthly basis. The approved budget will be reviewed by the Board at least quarterly and all necessary revisions to the budget will require approval of a majority vote of the Board.

ARTICLE V: TRAVEL EXPENDITURES AND FEES OF OFFICE

5.01. Fees of Office. A Director is entitled to receive fees of office of not more than \$0.00 per day for each day a Director actually spends performing the duties of a Director. "Performing the duties of a Director" means substantive performance of the management or business of the District, including participation in board and committee meetings and other activities involving the substantive deliberation of district business and in pertinent educational programs. The phrase does not include routine or ministerial activities such as the execution of documents, self-preparation for meetings, or other activities requiring a minimal amount of time.

5.02. Reimbursement of Expenses. Reimbursement for travel expenditures and other expenses incurred by a Director upon behalf of the District are subject to approval by the Board. Any Director desiring reimbursement for expenses must present a verified statement to the Board, together with all supporting receipts and invoices.

5.03 Conference and Seminar Policy. Directors may attend conferences and meetings at the District's expense only if deemed appropriate by the Board. Unless otherwise approved by the Board, each Director attending a conference or meeting must attend all blocks of educational sessions in order to qualify for reimbursement. Subject to prior Board approval and compliance with the other requirements of the Code of Ethics, and except as provided in 5.03, each Director who attends a conference, business meeting or seminar related to the District business may be reimbursed for travel, lodging and meal expenses associated with that attendance, as follows:

A. Travel Expenses. Transportation costs, including but not limited to, airfare, car rental, taxi fare and parking incurred while on official District business will be reimbursed based upon the costs actually incurred by the Director; however, reimbursement for transportation on a common carrier will be limited tourist/coach rates. Mileage reimbursement for transportation by personal automobile will conform to Internal Revenue Service regulations.

B. Lodging Expenses. Lodging expenses will be reimbursed based upon costs actually incurred by the Director and will not exceed the amount of lodging expense determined to be reasonable and necessary.

C. Meal Expenses. Meal expenses will be limited to the amount determined to be reasonable and necessary.

D. Excluded Expenses. Expenses that are of a personal nature or are not reasonable or necessary to the District business will not be paid or reimbursed by the District.

ARTICLE VI: COMPLAINTS AND PROCEDURES FOR VIOLATIONS

6.01. Complaints. All complaints or allegations of violations of the Code of Ethics must be made in writing, sworn to before a notary public and filed with the District's attorney. A complaint must describe in detail the act that is complained of, and the specific sections of this Code alleged to have been violated. A general complaint, lacking detail, will not be sufficient to invoke the procedures in this section, and anonymous complaints will not be considered.

6.02. Initial Determination. Within thirty (30) calendar days of receipt of a complaint, the District's attorney will determine if the facts of the complaint, if true, would constitute a violation of this Code. If the District's attorney determines that the complaint does not contain facts that constitute a violation, the District's attorney will so advise the Board at its next regular meeting.

6.03. Report to the Board. If the District's attorney determines that the complaint contains facts that, if true, would constitute a violation, the District's attorney will present a report to the Board. A majority of the members of the Board not implicated by the complaint will determine whether the complaint should be considered or rejected.

6.04. Consideration by the Board. To consider a complaint, the Board may convene in executive session as permitted by the Texas Open Meetings Act. The Board member implicated by the complaint will have the right to a full and complete hearing, with the right to call witnesses and present evidence. Any final action, decision or vote will be made in open meeting.

6.05. Reprimand. The failure of a Director to comply with the provisions of the Code will constitute grounds for disciplinary action, which may include but not necessarily be limited to reprimand, and if allowed by law, removal, as deemed appropriate by the other members of the Board.

ARTICLE VII: PROFESSIONAL SERVICES: BONDS


7.01. Selection. Consultants and employees retained to provide professional services to the District, including, but not limited to, legal, engineering, management, accounting and tax collection services, will be selected based upon their qualifications and by majority vote of the Board. In selecting attorneys, engineers, auditors, financial advisors or other professional consultants, the District will follow the procedures required by the Professional Services Procurement Act.

7.02. Bond. The Board will require any Employee who handles District funds to provide a bond, in an amount determined by the Board, in accordance with the requirements of Section 49.057(e) of the Water Code.

ADOPTED this 24th day of March, 2010


WALSH RANCH MUNICIPAL UTILITY DISTRICT

By:



DAVID KRAUSE, President
Board of Directors

By:



WILLIAM PECKMAN, Secretary
Board of Directors

[SEAL]

EXHIBIT "A"

AUTHORIZED INVESTMENTS

1. The following obligations of governmental entities and obligations guaranteed by governmental entities are allowed:
 - a. Obligations of the United States or its agencies and instrumentalities;
 - b. Direct obligations of the State of Texas or its agencies and instrumentalities;
 - c. With prior approval of the Board, collateralized mortgage obligations directly issued by the federal government, the underlying security for which is guaranteed by the United States with certain exceptions set forth in the Public Funds Investment Act;
 - d. Other obligations backed by the full faith and credit of the United States; and
 - e. With prior approval of the Board, obligations of states, agencies, counties, cities and other political subdivisions having not less than an "A" rating from a nationally recognized investment rating firm.
2. Certificates or deposit issued by a bank or savings and loan association doing business in Texas guaranteed by the FDIC or the obligations set forth above in 1.
3. With prior approval of the Board, repurchase agreements with a defined termination date, secured by obligations set forth in 1, and placed through a primary government securities dealer or a financial institution doing business in Texas.
4. With prior approval of the Board, bankers' acceptance with a stated maturity of 270 days or less that will be liquidated in full at maturity and meet other credit requirements established by the Board.
5. With prior approval of the Board, commercial paper with a stated maturity of 270 days or less and meeting other credit requirements established by the Board.
6. With prior approval of the Board, money market mutual funds that are no-load and: (a) are regulated by the Securities and Exchange Commission ("SEC"); (b) have provided the District with a prospectus and other information required by the Securities Exchange Act of 1934 and the Investment Company Act of 1940; (c) have an average weighed maturity of 90 days or fewer; and (d) have an investment objective of maintaining a stable net asset value of \$1 per share.

7. Other types of mutual funds which are no-load and: (a) are registered with the SEC; (b) have an average weighted maturity of less than 2 years; (c) are invested exclusively in obligations approved by this Act; (d) have a “AAA” rating; and (e) meet certain requirements of investment pools, as set forth in the Public Funds Investment Act.
8. Public funds investment pools which meet the criteria as set forth in the Public Funds Investment Act, maintain a “AAA” rating, and have an investment objective of maintaining a stable net asset value of \$1 per share.

EXHIBIT "B"

INVESTMENT STRATEGIES

Investment Strategies in order of priority:

A. Investment requirements by fund.

1. Operating Funds. The District will maintain funds in the operating checking account at its depository bank, TexPool or any qualified money market fund to cover approximately two (2) months of operating needs. The remaining operating funds will be invested in acceptable investments to meet the operating requirements of the District as determined by the annual operating budget adopted by the Board, not to exceed a maximum maturity of one year.
2. Tax Collections. Tax collections will be deposited into the District's tax account at its depository bank. The balance will be checked monthly, except during December and January, when the balance will be checked on a weekly basis. Tax receipts will be allocated according to the Order Levying Taxes, then transferred to the operating and debt service accounts.
3. Debt Service Funds. The District will maintain an approximate \$1,000 balance in the debt service account at its depository bank. This balance will cover any minimal debt service expenses that may arise. The remaining funds will be invested to mature three (3) to seven (7) days prior to the next bond payment dates.
4. Construction Funds. The District will maintain an approximate \$3,000 balance in the construction account at its depository bank. The remaining construction funds will be invested in acceptable investments not to exceed a maximum maturity of one (1) year. Escrowed construction moneys will be maintained in a separate interest bearing account(s).

B. Suitability. The District's Investment Officers must understand the District's financial requirements. Appropriate investments will be made to meet the needs of the District. TexPool or a qualified money market fund will be considered acceptable investments if approved by the District's Investment Officers in accordance with the strategies.

C. Preservation of Capital. A safe investment will allow the District to recover every dollar invested.

D. Liquidity. The District's Investment Officers must invest in securities that are easily and rapidly converted into cash without a substantial loss of value.

E. Investment Marketability Requirements. All investments must be "marketable" in

case the need arises to liquidate an investment before maturity.

F. Maximum Maturities. To the extent possible, the District will match its investments with anticipated cash flow requirements. As required by the Public Funds Investment Act and the District's Financial Investment Policy, certain investments will have maturity limitations.

G. Diversification. There will be no defined level of investment diversification as long as all funds of the District are invested in accordance with these strategies.

H. Yield. District funds must be invested to obtain the maximum yield for each time frame taking into consideration the priority of preservation and safety of the principal and the liquidity of the investment.

I. Annual Review of Investment Strategies. The Board will review these strategies at least annually. Any changes deemed necessary by the Board at the time of each review will be reflected in an amendment to these strategies.

LIST OF AUTHORIZED BROKERS

EXHIBIT C

ABC Bank	Merchants Bank
Allegiance Bank	Metro Bank, N.A.
Amegy Bank of Texas, N.A.	Moody National Bank
Bank of America N.A.	New First National Bank
Bank of Houston	North Houston Bank
Bank of New York- Mellon	Omni Bank N.A.
Bank of Texas N.A.	Plains Capital Bank
Bank of the West	Patriot Bank
BBVA Compass Bank	Plains State Bank
Capital Bank	Post Oak Bank
Capital Markets of Dallas	Prosperity Bank
Capital One	Regions Bank
Central Bank	Security State Bank
Chasewood Bank	Southwest Securities
Citibank N.A.	State Bank of Texas
Comerica Bank	State Street Bank & Trust Co.
Comerica Securities	Sterling Bank
Commercial State Bank	Stifel Nicolaus
Community Bank	Tex Star Investment Pool
Community State Bank	Texas Capital Bank N.A.
Community State Bank Austin	Texas Class
Coastal Securities	Texas Citizens Bank
Encore Bank	Texas Community Bank
Enterprise Bank	Texas First Bank
First Bank of Conroe	Texas Independent Bank
First Bank of Texas	Texas Savings Bank
First Bank & Trust	Texpool/Texpool Prime
First Citizens Bank	The Bank of River Oaks
First Community Bank	The Right Bank for Texas
First National Bank of Texas	Tradition Bank
First Texas Bank	Treaty Oak Bank
Frost Bank	Trustmark National Bank
Green Bank	Union Planters Bank, N.A.
Herring National Bank	United Bank of el Paso Del Norte
Hometown Bank, N.A.	Unity National Bank
Houston Community Bank N.A.	U. S. Bank
Independent Bank	Wachovia Bank, N.A.
International Bank of Commerce	Wells Fargo Bank, N.A.
Inter National Bank	Wells Fargo Brokerage Services, LLC
Ironstone Bank	Wells Fargo Trust
JP Morgan Chase	Westbound Bank
Legacy Texas Bank	Whitney National Bank
Lone Star Bank	Woodforest National Bank
Lone Star Investment Pool	

Memorial City Bank



McLEAN & HOWARD, L.L.P.

EXHIBIT E

1004 Mopac Circle
Suite 100
Austin, TX. 78746
phone 512.328.2008
fax 512.328.2409
www.mcleanhowardlaw.com

March 10, 2006

Walsh Ranch
Municipal Utility District
4314 West Braker Lane, Suite 250
Austin, Texas 78759

Re: Legal Services related to the Walsh Ranch Municipal Utility District

Dear Mr. Wunch:

McLean & Howard, L.L.P. ("Attorneys") appreciates the opportunity to provide legal services to Walsh Ranch Municipal Utility District ("Client") related to the above-referenced matter. This letter shall serve as this law firm's written agreement to provide the following services:

Professional legal services as general counsel relating directly or indirectly to the Walsh Ranch Municipal Utility District, as requested by Client (the "Work"), and such other matters as specifically requested by Client from time to time.

Please be advised that this letter also serves as notice of the fees that will be charged for this matter. Our current fee schedule is as follows:

A. Fees:

- (1) \$225.00 per hour for professional services rendered by Jeffrey S. Howard or William P. McLean;
- (2) \$175.00 per hour for professional services rendered by any contract attorney; and
- (3) \$125.00 per hour for Legal Assistant, Clerk and Paralegal services rendered.

B. Expenses:

All recording fees, outside professional fees, delivery charges, and out-of-pocket expenses requested by Attorneys. Attorneys are authorized to incur expenses up to but not exceeding \$250.00 per monthly billing cycle without the prior consent of Client.

You agree to deposit and maintain with Attorneys the cash sum of \$0.00 as your initial deposit for attorney's fees and costs, the receipt of which is acknowledged by Attorneys. This deposit, if any, will be placed in a State Bar of Texas Interest on Lawyer's Trust Account, the interest on which benefits the Texas Equal Access to Justice Foundation. Unless otherwise provided herein, Attorneys may pay any monthly billing from the deposit, if any, referenced herein.

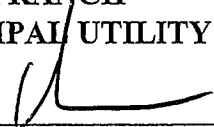
Please sign this letter in the space provided below to reflect your understanding and acceptance of these rates, and return this letter to me at your earliest convenience. It is the firm's policy to restrict the work that can be accomplished prior to receiving your written agreement to the terms of this letter.

The State Bar of Texas requires that we provide the following information (Gov. C. §81.079): **The State Bar of Texas investigates and prosecutes professional misconduct committed by Texas attorneys. Although not every complaint against or dispute with a lawyer involves professional misconduct, the State Bar Office of General Counsel will provide you with information about how to file a complaint. For more information, call toll-free 1-800-932-1900.**

We look forward to hearing back from you soon, and anticipate continuing our work with you on this matter.

AGREED TO AND ACCEPTED:

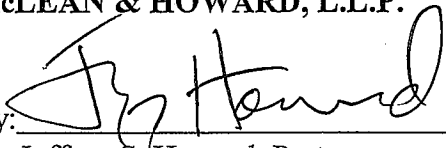
**WALSH RANCH
MUNICIPAL UTILITY DISTRICT**

By: 
Name: Daniel Krause
Title: President

Date: 3/12/06

AGREED TO AND ACCEPTED:

McLEAN & HOWARD, L.L.P.

By: 
Jeffrey S. Howard, Partner

Date: 3/10/2006



McLEAN & HOWARD, L.L.P.

Barton Oaks Plaza, Building II
901 South MoPac Expressway
Suite 225
Austin, TX 78746
phone 512.328.2008
fax 512.328.2409
www.mcleanhowardlaw.com

April 20, 2011

Walsh Ranch Municipal Utility District
Attn: Rashid Shamsie

Re: Legal services as General Counsel to the Walsh Ranch Municipal Utility District

Dear Mr. Shamsie:

McLean & Howard, L.L.P. ("Attorneys") appreciates the opportunity to provide legal services to Walsh Ranch Municipal Utility District ("Client"). This letter shall serve as this law firm's written agreement to provide the following services:

Professional legal services as general counsel relating directly or indirectly to the Walsh Ranch Municipal Utility District, as requested by Client (the "Work"), and such other matters as specifically requested by Client from time to time.

Please be advised that this letter also serves as notice of the fees that will be charged for this matter. Our current fee schedule is as follows:

A. Fees:

- (1) \$280.00 per hour for professional services rendered by Jeffrey S. Howard or William P. McLean; and
- (2) \$200.00 per hour for professional services rendered by Patrick E. Hudson, Michael J. Cihock, or Kristi E. Stotts.

We will not charge a fee for legal assistant, secretarial, or paralegal services provided to the Client.

B. Expenses:

All recording fees, outside professional fees, delivery charges, and out-of-pocket expenses related to Walsh Ranch Municipality Utility District requested by Attorneys. Attorneys are authorized to incur project-related expenses up to but not exceeding \$250.00 per monthly billing cycle without the prior consent of Client.

Please sign this letter in the space provided below to reflect your understanding and acceptance of these rates, and return this letter to me at your earliest convenience.

The State Bar of Texas requires that we provide the following information (Gov. C. §81.079): **The State Bar of Texas investigates and prosecutes professional misconduct committed by Texas attorneys. Although not every complaint against or dispute with a lawyer involves professional misconduct, the State Bar Office of General Counsel will provide you with information about how to file a complaint. For more information, call toll-free 1-800-932-1900.**

We look forward to hearing back from you soon, and anticipate continuing our work with you on this matter.

AGREED TO AND ACCEPTED:

**WALSH RANCH
MUNICIPAL UTILITY DISTRICT**

By: _____
Name: Rashid Shamsie, President

Date: _____

AGREED TO AND ACCEPTED:

McLEAN & HOWARD, L.L.P.

By: _____
Patrick E. Hudson, Partner

Date: _____