



July 10, 2019

Dear Water Supply Corporation Customer,

We would like to share with you some good news regarding your water company as well as some developments we are working to resolve.

First, we have recently posted the results of the Consumer Confidence Report for 2018. This summary recounts our compliance with Environmental Protection Agency regulations as monitored by the Texas Commission on Environmental Quality. In all 12 areas monitored, no violations were found. We are pleased with the continuing effort of our manager and operating company to produce water which meets or exceeds state and federal water quality requirements.

Secondly, our water intake pumping barge went back online in April. Temporary pumps had supplied water to our system after the October 16 flood severely damaged the barge. There were concerns that normal summer time decreases in lake levels could impact the temporary pumps' efficiency. The hard work of our manager removed these concerns and the repaired pumps have been operating well.

Third, our financial position is very strong. We base this statement on new reviews we initiated to evaluate our financial health. Our debt to service coverage ratio, debt to capital ratio, days cash on hand are all very positive. Without going into a lot technical detail here about what they mean, you should put aside any doubts which may have arisen in the last few years about our financial situation.

Fourth, in mid-June, an appellate court ruled in favor of WOWSC and sided with the lower trial court's judgment rendered last year with regards to a land sale by WOWSC in 2016 and related agenda items. In sum, while a previous board did not properly post parts of the agenda items related to the land sale, the violation did *not* warrant the court's intervention in voiding the land sale. This is a victory for WOWSC because voiding the land sale would have had serious financial implications for WOWSC.

Unfortunately, the Board is now dealing with yet another, *new* lawsuit that was filed in late May against WOWSC and former Board members. The plaintiffs claim various rights as 'shareholders' against the former Board members as related to the land sale in 2016.

As a result of the various lawsuits filed against WOWSC (which remain ongoing) and our continuing compliance with responses to numerous Public Information Act requests, WOWSC's 5-month expenditures on legal services have already totaled \$63,000, exceeding our 12-month budget by \$25,000. We are concerned about this steep additional cost for 2019 and will be attempting various measures to contain those costs going forward.

In our next letter to you, we hope to have more good news about operational improvements we've made. Several are in the works. For now, we hope this letter succeeds in giving you an idea about developments at your water supply company.

Sincerely,

Your Windermere Oaks Water Supply Corporation Board of Directors