

**MINUTES OF MEETING OF THE
BOARD OF DIRECTORS OF
BLOCK HOUSE MUNICIPAL UTILITY DISTRICT**

September 12, 2007

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A special meeting of the Board of Directors of Block House Municipal Utility District was held on September 12, 2007, at 2600 Block House Drive South, Leander, Texas. The meeting was open to the public and notice was given as required by the Texas Open Meetings Act. A copy of the Certificate of Posting of the Notice is attached as Exhibit "A".

The roll was called of the members of the Board:

Steve Bennett	-	President
Cecilia A. Roberts	-	Vice President
Debra Junk	-	Secretary
Stuart McMullen	-	Assistant Secretary
Terence Davis	-	Assistant Secretary

and all of the Directors were present, except Director Roberts, who arrived later, thus constituting a quorum. Also present at the meeting were District resident Jennifer Hasbrouck; Cheryl Allen of Southwest Securities; Hector Alanis of ECO Resources, Inc. ("ECO") and Ilyse Lerner of Armbrust & Brown, L.L.P. ("Armbrust & Brown").

Director Bennett called the meeting to order at 6:30 p.m. and stated that the Board would conduct a public hearing on the District's 2007 tax rate. There being no members of the public present wishing to address the Board, Director Bennett closed the public hearing.

Director Bennett stated that the Board would next discuss the District's operating budget for the 2007/2008 fiscal year and recognized Mr. Alanis, who presented the draft operating budget for the District. He noted that the draft budget was essentially the same as the budget he had presented at the August 9, 2007 Board meeting and was based on a total tax rate of \$.08599. After discussion, Director Junk moved that the Board adopt the budget as presented, based on an overall tax rate of \$0.8599, and adopt the Resolution Adopting Budget attached as Exhibit "B". Upon second by Director McMullen, the motion was unanimously adopted.

Director Bennett then stated that the Board would take a record vote on the District's 2007 tax rate and consider adopting an Order Levying Taxes. Ms. Allen recommended that the Board adopt a total tax rate of \$.08599, comprised of a \$0.2110 operations and maintenance tax, a \$0.5520 debt service tax rate, and a \$0.0969 contract tax for fire protection services. Ms. Lerner stated that, at the direction of the Board, she had attempted to obtain written confirmation from the City of Cedar Park that the District was required to levy a 2007 contract tax to pay only for services provided by the Cedar Park Fire Department in the 2006 and 2007 calendar years, but that she had been unable to obtain a response from the City Manager. She stated that she was

confident that setting a fire protection tax rate that covered the 2006 and 2007 calendar years was consistent with the District's contract with Cedar Park. After discussion, upon motion by Director Davis and second by Director McMullen, the Board voted to establish a tax rate of \$.08599, consisting of a \$.02110 operations and maintenance tax, a \$.05520 debt service tax rate, and a \$.0969 contract tax for fire protection services, and to adopt the Order Levying Taxes attached as **Exhibit "C"**, with Directors Junk, Bennett, McMullen, and Davis voting "aye" and Director Roberts absent and not voting.

Director Bennett then stated that the Board would consider approving an Amended and Restated Information Form to reflect the 2007 tax rate. Upon motion by Director McMullen and second by Director Junk, the Board voted unanimously to approve the Amended and Restated Information Form attached as **Exhibit "D"**. Director Bennett directed Ms. Lerner to forward copies of the Amended and Restated Information Form to Mr. Alanis and Linda Klar. Director Roberts arrived at this time.

Director Bennett stated that the Board would next discuss potential Boy Scout projects. He stated that a Boy Scout had offered to install a disc golf course at Comanche Park and Tumlinson Park if the District would cover the costs of the equipment, which would be approximately \$1,100. He stated that the Board would approve the design before installation. Director Bennett added that the Boy Scouts had completed painting over the graffiti on Jumano Bridge, and that the paint had been donated by Kelly-Moore.

Director Roberts then requested that the Board reconsider the adoption of the operating budget and the 2007 tax rate, as she had arrived to the meeting late and not had the opportunity to vote. The Board agreed to reconsider the adoption of the operating budget and to take another record vote on the tax rate. Upon motion by Director Junk and second by Director McMullen, the Board voted unanimously to adopt a budget based on an overall tax rate of \$.08599, and to adopt the Resolution Adopting Budget attached as **Exhibit "B"**. Director Junk then moved that the Board establish a tax rate of \$.08599, consisting of a \$.02110 operations and maintenance tax, a \$.05520 debt service tax rate, and a \$.0969 contract tax for fire protection services, and adopt the Order Levying Taxes attached as **Exhibit "C"**. Upon second by Director McMullen, the motion was adopted, with Directors Junk, Bennett, McMullen, Roberts, and Davis voting "aye". Director Davis then moved that the Board approve the Amended and Restated Information Form attached as **Exhibit "D"**. Upon second by Director Junk, the motion was unanimously adopted.

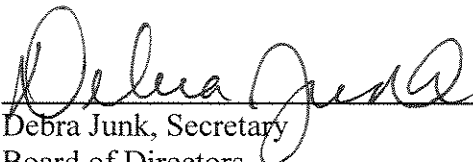
Director Bennett then stated that the Board would discuss the on-site manager position. Director Roberts suggested that the Board conduct a workshop to discuss the on-site manager position and the restrictive covenant enforcement policy. The Board agreed to hold a special meeting on October 3, 2007 at 6:00 p.m. at ECO's offices to discuss those items.

Director Bennett stated that the Board would next discuss check fraud prevention services. Mr. Alanis stated that he had not obtained the fees for check fraud prevention services offered by JP Morgan Chase, but that Wells Fargo charged approximately \$650 per month for similar services. Ms. Lerner suggested that Mr. Alanis provide a breakdown of fees for each service offered, as some of the service fees were probably less expensive. Mr. Alanis then explained that one fraud prevention service, Positive Pay, would require ECO to provide the bank with a list of checks to be written on the District's accounts. He stated that, once checks

were signed and approved, ECO would manually upload the checks online and give the bank confirmation to fund the checks. Ms. Lerner recommended that the Board carefully consider obtaining the fraud prevention services or at least thoroughly investigate them since District money was public funds. Director Roberts stated that she did not think the services were necessary since the bank was responsible for refunding stolen funds. Ms. Lerner stated that the bank would not necessarily be held responsible and that, in some instances, there would not be a guarantee that the funds would be returned. Director Davis noted that the extra steps might lead to clerical errors and delays in funding. Mr. Alanis agreed and stated that, while he was not opposed to Positive Pay, he felt that the District was adequately protected by law, and that his impression was that the Positive Pay program shifted responsibility and liability from the bank to ECO and the District. The Board agreed to discuss the matter further once Mr. Alanis determined the associated fees.

There being no further business to come before the Board, the meeting was adjourned at 7:31 p.m.

(SEAL)


Debra Junk, Secretary
Board of Directors

Date: 10-24-07