

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

March 25, 2009

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A regular meeting of the Board of Directors of Block House Municipal Utility District was held on March 25, 2009, 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:

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

and all of the Directors were present, thus constituting a quorum. Also present at the meeting were District residents Eric Mott and Stacy Lugo; Linda Klar of Klar Communications; Tanya Emmons of Pinnacle Texas Management, LLC ("Pinnacle"); Tripp Hamby of SunTerra Landscape Services, LP; Meagan Allen and Nicole Erdmann of the YMCA; Andrew Hunt and Robert Anderson of SWWC Services, Inc ("SWWC"); Michael Luft of Municipal Accounts & Consulting, L.P. ("MAC"); and Ilyse Lerner of Armbrust & Brown, L.L.P.

Director Davis called the meeting to order at 6:30 p.m. and stated that the Board would first receive citizens' communications. He recognized Mr. Mott, who explained that his neighbors were tormenting him and his family by various means, including provoking their dog to bark incessantly, and requested the Board's help in stopping the menacing activity. He presented a report to the Board detailing the neighbor's behavior.

Director Davis then recognized Ms. Lugo, who stated that she lived on Spotted Eagle Drive near the Block House Drive dead-end. Ms. Lugo explained that the area was extremely noisy and requested that the Board consider planting trees or constructing a buffer in the area. She indicated that she would volunteer her time to help with construction and/or landscaping.

Director McMullen then presented a letter from Boy Scout Christoffer Loderup, who had been unable to attend the meeting, but wanted to request permission to clean up a tree that had fallen near Cabernet and Lambrusco. Director Bennett stated that the Boy Scout could start his project once he signed a waiver.

Director Davis then stated that the Board would consider restrictive covenant enforcement, including a report from Pinnacle Texas Management, LLC. Ms. Emmons indicated that, since commencing inspections in the District, she had documented 404 violations, 160 of which had received a courtesy notice and 118 of which had received a second notice. She added that 194 of the violations were currently open. Ms. Emmons then reviewed a history of violations at 16823 Black Kettle Drive, including complaints of a barking dog and unlicensed vehicles. She explained that the dog barking constituted a nuisance violation and appeared to be a serious problem for the neighbors, but that, in her experience, enforcing that covenant was extremely difficult. She stated that she always recommended that neighbors keep a bark log, but that it was difficult to prove the nuisance by other means. Ms. Emmons added that two inoperable and/or unlicensed vehicles were parked in the front of the residence. She noted that the residents were making an effort to repair one of the two vehicles, but that the other remained covered and constituted open storage. She stated that the residents had received notice of the open storage violation, but had not done anything about it. After further discussion, upon motion by Director McMullen and second by Director Roberts, the Board voted unanimously to authorize the District's attorney to send a letter to the resident at 16823 Black Kettle Drive regarding the violation.

Director Davis then stated that the Board would discuss landscape maintenance and recognized Mr. Hamby, who presented his report, attached as Exhibit "B". Director Roberts indicated that Mr. Hunt had received insurance information relating to the damage to the entryway island caused by a car wreck and directed Mr. Hunt and Mr. Hamby to determine the amount that the District needed to request from the insurance company. Mr. Hamby stated that a new irrigation controller near the tennis courts had been vandalized. Director Bennett asked if there was a way to enclose the controllers to avoid further vandalism. Mr. Hamby stated that he would look into the matter, but suggested that the Board obtain a proposal to route a line from the water facility instead of replacing the vandalized controller. The Board directed Mr. Hunt to obtain that proposal. Director Junk asked Mr. Hamby to provide the Board with a proposal for planting trees by Scottsdale Drive near the Block House Drive dead-end. Director McMullen asked Mr. Hamby to present a proposal for planting trees by the northwest area of Jumano Park. Director Roberts requested Mr. Hamby to prepare a proposal for placing decomposed granite around the frisbee golf goal posts. Mr. Hamby then presented the proposal for the replacement of an irrigation controller (Work Order No. 1508) attached as Exhibit "C". After discussion, upon motion by Director Roberts and second by Director McMullen, the Board voted unanimously to approve the proposal and to authorize Mr. Hamby to determine whether an enclosure could be placed around the controller. Mr. Hamby then reported that his company's latest walk-through had been clean and that there were no further repairs necessary at this time.

Director Davis then stated that the Board would consider pool operations and management and recognized Ms. Allen, who stated that the current pool hours posted on the District's website conflicted with the pool schedule for the Tidal Wave Swim Team. Director Roberts explained that the Swim Team was to have exclusive use of the pool and that the hours needed to be modified to reflect that. Director Roberts directed Ms. Klar to remove the incorrect pool hours from the District's website. Ms. Erdmann then stated that she was attempting to arrange for the Williamson County Health Department to inspect the drain covers of the pools, but had not yet received a response. Mr. Hunt stated that the Pool Subcommittee had requested that Mark Olmstead verify that all inspection and certification requirements for the drain covers

were met. After further discussion, Director Roberts moved that the Board authorize Mr. Hunt to arrange for the VGBA inspections of the pool drain covers at a cost not to exceed \$3,000. Upon second by Director Bennett, the motion was unanimously adopted.

Mr. Hunt then presented the proposal from Progressive Commercial Aquatics, Inc. ("Progressive") for the visual inspection of the Tumlinson Pool slide attached as Exhibit "D". He explained that the visual inspection was needed to ensure that the slide was safe and in compliance with applicable regulations, but that it was not a full inspection of the slide. Director Roberts stated that the Board needed a full inspection to ensure that the slide was up to code and suitable for swimmers.

Director Davis announced that the Board would next receive a report from the District's bookkeeper and recognized Mr. Luft for that purpose. Mr. Luft presented the check register and supplemental check register attached as Exhibit "E". He explained that Checks No. 14073, 14129 and 14117 would need to be voided. Director Davis noted that his per diem checks were shown with amounts of \$0, which he presumed was because his payments were directed to the IRS, but asked if that was the proper way to document the payments. Mr. Luft stated that he believed it was, but would verify. After further discussion, upon motion by Director Roberts and second by Director Junk, the Board voted unanimously to approve the check registers with Checks No. 14073, 14129 and 14117 being voided.

Mr. Luft then presented the four fund transfers attached as Exhibit "F" and recommended the two debt service payments shown on the attached Exhibit "G". Director Junk asked if the District's investment policy had been implemented the previous month. Mr. Luft stated that the policy had not been implemented because MAC's Houston office had been slow in getting out the investments, but that it would be implemented in the coming months. Mr. Luft then presented various documents to be executed by the Board. Ms. Lerner noted that none of the documents had been included on the agenda and no one had had an opportunity to review them. Mr. Luft indicated that the documents were not necessary to initiate the investments. Ms. Lerner stated that she would review the documents and add an item for them to the next meeting agenda.

Mr. Luft then stated that the District's manager had requested that the signature cards for the District Manager's account be revised to replace Margret Wingrove with Mike Morin as a signatory. After further discussion, upon motion by Director Junk and second by Director Bennett, the Board voted unanimously to approve the fund transfers and bond payments as recommended by the bookkeeper and the new signature cards adding Mr. Morin.

Director Junk then presented the report from the Budget and Finance Subcommittee attached as Exhibit "H". Director Bennett suggested that each Board subcommittee review applicable District contracts and procedures and determine whether there were ways to cut costs, which he felt was important in light of the current economy. Director Davis suggested that the Board consider reducing winter pool hours, which he felt would save a significant amount. Director Junk noted that the Board had really cut back on the Christmas event and that it was still very successful.

Director Davis then recognized Mr. Anderson, a new employee with SWWC. Mr. Anderson introduced himself and noted that he would be working with Mr. Hunt on certain District matters.

Director Davis then stated that the Board would discuss District communications and recognized Ms. Klar to discuss the District's newsletter and website. Ms. Klar presented her report attached as Exhibit "I" and noted that she would have a draft of the upcoming newsletter for the Board's review by the end of the week.

Director Davis announced that the Board would next consider the consent items on the agenda: the minutes of the February 25, 2009 and February 26, 2009 Board meetings, the Continuing Disclosure Annual Report prepared by Southwest Securities, and the Secretary's Certificate and Resolutions Regarding Manager's Account. Mr. Hunt and Director McMullen noted two corrections to the minutes of the February 25, 2009 Board meeting. Ms. Lerner pointed out that the Secretary's Certificate and Resolutions Regarding Manager's Account would need to be revised to reflect Mr. Morin as the signatory for the District's manager instead of Mr. Hunt. After further discussion, upon motion by Director Junk and second by Director McMullen, the Board voted unanimously to approve the minutes of the February 25, 2009 Board meeting, as corrected; the minutes of the February 26, 2009 Board meeting; the Continuing Disclosure Annual Report prepared by Southwest Securities and the Secretary's Certificate and Resolutions Regarding Manager's Account attached as Exhibit "J".

Director Davis then stated that the Board would consider the report from the District's engineer attached as Exhibit "K". Director Roberts stated that Mr. Gray had informed her that the person who had recently requested a utility tie-in for the property located east of the District had requested a meeting with the Board. She directed Mr. Hunt to extend an invitation to the person to attend the next Board meeting and to request that Mr. Gray also be in attendance.

Director Davis stated that the Board would next discuss Phase II of the ventilation project at the Tumlinson Pool bathroom. Mr. Hunt presented the proposal for replacement of the louvers on the bathroom doors attached as Exhibit "L". After discussion, upon motion by Director Roberts and second by Director Bennett, the Board voted unanimously to approve the proposal.

Director Davis announced that the Board would next consider creek maintenance, including a report from the Nature Trail and Creek Maintenance Subcommittee. Director Bennett stated that the creek clean-up project was going very well. He noted that the contractor had not over-extended the scope of the project and that there had not been any resident complaints. Director McMullen recommended that the Board obtain an annual maintenance schedule to keep up the maintenance of the creek. Ms. Lerner then presented the contract with the creek cleaning contractor, Round Rock Hydromulch, Inc., attached as Exhibit "M". She explained that, prior to commencing operations of the project, the contractor had signed the contract and provided the required insurance documentation. She added that, since the contract had not been on a previous agenda, Director McMullen had signed the contract on behalf of the District, but requested that the Board ratify it. After further discussion, upon motion by Director Roberts and second by Director Bennett, the Board voted unanimously to ratify the contract with Round Rock Hydromulch, Inc.

Director Davis then stated that the Board would discuss District parks and facilities, including a report on the status of bike trail repairs and signage. Mr. Hunt stated that the repairs were complete and the signage posted. He noted, though, that there was graffiti on signs throughout the District. Director Roberts directed Mr. Hunt to notify the Williamson County Sheriff's Department of the graffiti problem. Director Davis recommended that the Board implement a policy of cleaning the graffiti off immediately, because the longer graffiti remained, the more it would encourage additional graffiti. After discussion, upon motion by Director Roberts and second by Director Bennett, the Board voted unanimously to authorize Director Bennett to notify Mr. Hunt of any graffiti that needed to be cleaned and to authorize Mr. Hunt to pay for the cleaning out of the Manager's Account.

Director Bennett then stated that the Jumano Community Center was ready for use, but suggested that the Board not advertise the opening of the Center until the Block House Creek Connection had used the facilities and informed the Board of any problems.

Director Davis stated that the Board would next consider District maintenance. Director Bennett presented the proposal from SunTech Electric for replacement of a light pole at the Walker House entry drive attached as Exhibit "N". He stated that the price was reasonable and recommended that the Board approve the proposal. After discussion, upon motion by Director Roberts and second by Director Bennett, the Board voted unanimously to approve the proposal.

Director Davis then stated that the Board would discuss District security. Director Roberts explained that the Williamson County Sheriff's Office off-duty deputies had prepared a list of streetlight outages and submitted it to Mr. Hunt. She stated that Pedernales Electric Cooperative was still not responding to the outages. Director Roberts directed Mr. Hunt to arrange for the deputies to switch shifts from the early morning to a 3:30 p.m. to 7:00 p.m. shift.

Director Davis then stated that the Board would discuss District operations and recognized Mr. Hunt. Mr. Hunt stated that he had obtained a quote from Progressive for an overall inspection of the District's pool systems for a cost of \$500 per pool. Director Bennett recommended that the Board engage Progressive to do this work, since Progressive historically did a good job and had built Tumlinson Pool. After discussion, upon motion by Director Bennett and second by Director Roberts, the Board voted unanimously to approve (1) the overall pool systems inspection by Progressive at a cost not to exceed \$500 per pool and (2) a complete inspection of the Tumlinson Pool slide by Progressive, subject to Director Bennett approving the price of the Tumlinson Pool slide inspection.

Mr. Hunt then stated that the raising of the manholes by Williamson County was almost complete and that only the striping was needed. Director Roberts stated that Williamson County had done a great job on the repairs and asked Mr. Hunt to send a letter to the County expressing the Board's appreciation.

Mr. Hunt then stated that he had received three or four complaints regarding Texas Disposal Systems' ("TDS") trucks being too full to pick up all refuse. Director Roberts stated that the Board should give notice on the "back of the bill" regarding the rules applicable to trash collection.

Director Roberts then stated that she felt that the monthly clean-up day was becoming unsafe, because only three or four cars could drive up the driveway while all remaining cars lined up along the road. She added that each clean-up day required three deputies to oversee the operation. She suggested cutting back on the clean-up days by, for example, prohibiting brush from being dumped since that was one of the most time-consuming items to be unloaded. Director Davis suggested the implementation of an administrative fee. Director Roberts suggested reducing the clean-up time period. Mr. Hunt noted that the District was the only public entity that he was aware of that offered this service to residents. After further discussion, upon motion by Director Davis and second by Director McMullen, the Board voted unanimously to stop providing clean-up days as of July 1, 2009 and authorize Mr. Hunt and Ms. Klar to provide adequate notice to residents of the discontinuation of this service and information regarding alternative options.

Mr. Hunt then stated that he had not heard back from the two Architectural Control Committee ("ACC") members that the Board believed were the current members. He stated that the District's developer, Robert Knight, was willing to sign a document confirming that those two residents were originally appointed as the ACC and, if necessary, a document appointing new Board members in place of the originally appointed members. He stated that he would work with Mr. Spainhour to determine the correct documentation needed to confirm the new ACC Board members.

Ms. Lerner then reminded the Board that the initial term of the Management Services Agreement expired March 31, 2009 and that, at the last Board meeting, the Board had discussed entering into a new agreement. She stated that she and Directors Roberts and Bennett had reviewed the contract thoroughly and had determined that the District would be better served by extending the term of the current contract by 180 days to give the Board the opportunity to revise the Manager's scope of services. Ms. Lerner explained that SWWC had agreed to the extension. She presented a proposed Amendment to the existing contract and explained that the Amendment also provided that SWWC would implement an Identity Theft Prevention Program adopted by the District. Ms. Lerner explained that the District was required by the Federal Trade Commission to implement an identity theft prevention program by May 1, 2009 for customer accounts. She noted that part of the program, which she would present later in the meeting, included ensuring that the District's service providers properly administered the District's program. She stated that the Amendment provided that SWWC would assume responsibility for administering the program. After further discussion, upon motion by Director McMullen and second by Director Roberts, the Board voted unanimously to approve the Amendment No. 8 to Management Services Agreement attached as Exhibit "O".

Mr. Hunt then stated that he and Ms. Lerner had discussed the possibility of canceling the Merchant Services Agreement with Compass Bank and entering into an agreement with CyberSource Corporation. He explained that the new IVR system installed by SWWC was operated by CyberSource and that, currently, the credit card payment system was operated by Compass Bank. He stated that CyberSource was willing to allow this arrangement for a limited period of time, but that eventually the District would have to use CyberSource for credit card payments if it wanted to continue to use the IVR system. Mr. Hunt noted that the price quoted by CyberSource was less expensive than Compass Bank. Ms. Lerner stated that the Merchant Services Agreement with CyberSource presented a few problems, but that it appeared that the

agreement with Compass Bank included some of the same problems. She noted that neither she, or as far as she was aware, any of the Board members, had had the opportunity to review the current Merchant Services Agreement with Compass Bank. After further discussion, Director Roberts directed Mr. Hunt and Ms. Lerner to work on an agreement with CyberSource because she felt that the IVR system was very helpful for District residents. She then stated that Mr. Hunt was a great asset to SWWC and was very valuable to the District.

Mr. Hunt then presented the write-off list attached as Exhibit "P". He noted that Sandra Perez was still listed on the write-off list. Mr. Hunt explained that, initially, the meter at the home of Sandra Perez, who appears on the write-off list, was not working properly, but that the meter had been replaced and that her bill had been adjusted accordingly. He stated that she had continued to complain about her bill after the meter was replaced. He noted that the termination process had been accurately implemented. Mr. Hunt then noted that Travis Mroski and Brittany Sizemore, who also appeared on the write-off list, were delinquent in paying their water bills so their service had eventually been disconnected, but that the termination process had been delayed and they had continued to use the water after the date it should have been cut off. After discussion, upon motion by Director Roberts and second by Director McMullen, the Board voted to (1) file actions Ms. Perez and Ms. Sizemore, (2) send Mr. Mroski's and Mr. Faudoa's respective outstanding debt to collections, and (3) write-off the remaining residents listed since the outstanding amounts were minimal, with Directors Roberts, McMullen, Bennett and Davis voting "aye" and Director Junk voting "nay".

Director Davis then stated that the Board would receive reports from subcommittees. Director McMullen stated that he had noticed two people dumping into Block House Creek and that he had told both individuals that dumping was prohibited.

Director Davis then stated that the Board would receive a report from the District's attorney and recognized Ms. Lerner for that purpose. Ms. Lerner reviewed her directives from the previous meeting. She explained that she had determined that the areas within the domain of the Block House Creek Owners Association, Inc. ("BHCOA") were not covered by the Restrictive Covenant Management Contract with Pinnacle, just as they had not been covered by the contract with SWWC. She then reminded the Directors that they had requested that she verify whether the District could withhold a refund check payable to a resident who owes the District funds from a court judgement. She stated that, in the case in question, the court judgment would relate to a restrictive covenant violation and that, as she had explained in the past, she could not recommend that the Board take any action to enforce a restrictive covenant other than through a lawsuit, because the statute regarding restrictive covenant enforcement specifically allowed for this action only, and that withholding the refund check might lead to due process issues.

Ms. Lerner then presented the Order Establishing Identity Theft Prevention Program attached as Exhibit "Q". Upon motion by Director Junk and second by Director McMullen, the Board voted unanimously to approve the Order.

Ms. Lerner then presented a draft of Senate Bill 2144 to the Board. She explained that the District's financial advisor had advised her office that the bill, which gave municipal utility districts the option of selling bonds competitively or by negotiated sale, might lead to better

interest rates for District bonds. After further discussion, Director Junk directed Ms. Lerner to contact the AWBD to determine whether it supported the bill and, if so, to write a letter to the Legislature in support of the bill.

Director Davis then stated that the Board would discuss the litigation regarding the City of Leander's taking of District property. Director Roberts stated that the next court date was April 8.

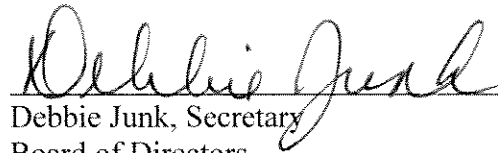
Director Davis then stated that the Board would discuss the extension of Scottsdale Drive. Director McMullen suggested that, if the Board was considering spending money to plant trees along Block House Drive, then it should also consider planting trees near the lift station.

Director Davis then asked the Board for suggestions for future agenda items. Director Roberts requested an agenda item for revisions to the playing field rules and another to evaluate the number of renters versus owners who resided in the District.

At 10:04 p.m., Director Davis stated that the Board would convene in executive session, under Section 551.071 of the Texas Government Code, to receive legal advice regarding restrictive covenant violations at 16823 Black Kettle Drive and the Pool Services Agreement with the YMCA. At 10:14 p.m., the Board reconvened in open session and Director Davis announced that no action had been taken during executive session.

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

(SEAL)


Debbie Junk, Secretary
Board of Directors

Date: 4-22-09