

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

August 12, 2009

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

A special meeting of the Board of Directors of Block House Municipal Utility District was held on August 12, 2009, at the offices of Crossroads Utility Services, LLC, 2601 Forest Creek Drive, Round Rock, 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 David Gray of Gray-Jansing & Associates, Inc.; Michael Luft of Municipal Accounts & Consulting, L.P.; Gary Spoons of Crossroads Utility Services, LLC ("Crossroads"); and Ilyse Lerner of Armbrust and Brown, L.L.P.

Director Davis called the meeting to order at 4:58 p.m. and announced that the Board would first convene in executive session under Section 551.071 of the Texas Government Code to receive legal advice regarding the Agreement Regarding Water and Wastewater Services to the Knight Tract and the request for utility service for the Wong tract. At 5:28 p.m., the Board reconvened in open session, and Director Davis announced that no action had been taken during executive session.

Director Davis then stated that the Board would discuss the Wong tract development and recognized Mr. Gray to discuss the matter. Mr. Gray explained that, years ago, the Wongs had begun construction on their property without first requesting or receiving the Board's approval of the construction plans, which was required by the commercial restrictive covenants to which the property was subject. He noted that the Board had required that construction be halted until approval was granted, but that construction had never moved forward because some required permits had not been obtained. He stated that construction activity had recently commenced again on the southern tract owned by the Wongs, which was located outside the District but subject to the covenants. Mr. Gray explained that the Wongs had not submitted any construction plans for the Board's review or informed the Board of the construction activity, and that Ms. Lerner had sent a letter to the Wong's attorney advising him that construction must be stopped until the Board reviewed and approved all plans and specifications in accordance with the

covenants. He noted that construction had ceased after the letter was sent and that the project engineer had contacted his office regarding the construction plans. He added that the Wongs had also inquired about the District providing utility service to the property. Mr. Gray stated that it was possible that the plans were substantially the same as the last set of plans. He noted that a review of the plans would require arranging for the project engineer to provide the plans, reviewing the plans for land use and demand on water and wastewater facilities, among other things, and preparing a memorandum summarizing the review and any questions or concerns. Mr. Gray recommended that the Board obtain a deposit from the Wongs prior to reviewing any plans or considering the request for utility service. He then estimated that his fees for reviewing the out-of-district request for utility service and plan review would be approximately \$5,000. After further discussion, upon motion by Director Roberts and second by Director McMullen, the Board voted unanimously to establish a deposit amount of \$10,000 to cover the engineering and legal fees associated with reviewing construction plans and a utility service commitment for the Wong tract and *authorized Mr. Gray to proceed upon posting of the deposit.*

Director Davis stated that the Board would next discuss water and wastewater services to the Knight Tract. Ms. Lerner stated that she had contacted the District's bond counsel, Carol Polumbo, to discuss the pass-through arrangement and determine whether there were any limitations on the use of funds received in exchange for wastewater capacity reservations. She stated that Ms. Polumbo had informed her that reserving more than 10% of capacity in bonded facilities for private use could potentially cause the bonds to be taxable. Ms. Lerner stated that Ms. Polumbo had reviewed the capacity allocations provided by Mr. Gray and determined that the capacity requested by Mr. Knight was well below 10% of the total capacity, but that the Board would need to keep this rule in mind when considering this type of arrangement with other developers. She added that Ms. Polumbo advised that the District not sell more than 5% of the total capacity to ensure that it never risked causing the bonds to be taxable.

The Board then appointed Directors Roberts and McMullen to be on a subcommittee for matters related to the Wong tract, including review of construction plans and recommending action by the Board. Ms. Lerner and Mr. Gray left at this time.

Director Davis announced that the Board would next discuss Summerfest. Director Roberts moved that the Board approve Checks No. 14429 and 14430 each in the amount of \$300 from the Manager's account for Summerfest expenses. Upon second by Director Junk, the motion was unanimously adopted.

Director McMullen then directed SunTerra Landscape Services, L.P. to cut back water usage in such a way as to keep plants alive but avoid run off into streets.

Director Davis then stated that the Board would discuss Block House Creek Owners Association's ("BHCOA") use of District facilities, including reservation fees. After discussion, upon motion by Director Roberts and second by Director McMullen, the Board voted to waive all reservation fees for BHCOA events that were open to all residents, with Directors Roberts, McMullen, Davis and Junk voting "aye" and Director Bennett voting "nay".

Director Davis stated that the Board would next discuss the operating budget for fiscal year 2009-2010 and the 2009 tax rate. Mr. Luft reviewed a draft budget with the Board, and discussion ensued on operational expenses. Director McMullen moved that the draft budget be

revised to allow the Board to consider establishing a tax rate equal to the 2008 tax rate. Upon second by Director Roberts, the motion was unanimously adopted.

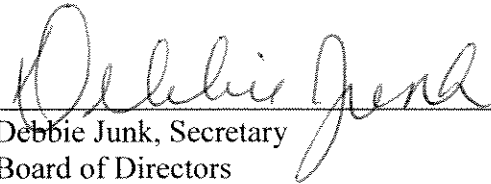
Director Davis stated that that the Board would next discuss water conservation. After discussion, Director Junk moved that the Board increase water rates for customers who used excessive amounts of water in an attempt to encourage water conservation and Director Roberts seconded the motion. Director Davis then called a vote, and the motion failed, with Directors Roberts and Junk voting "aye" and Directors Davis, McMullen and Bennett voting "nay".

Director Davis then stated that the Board would revisit the discussion on operational expenses. After discussion, upon motion by Director Roberts and second by Director Bennett, the Board voted unanimously to *appoint Directors Roberts and Director Davis as the Legal Subcommittee. Director Junk then directed the Legal Subcommittee to determine the costs of the District attorney's attendance at meetings and meeting minutes preparation.*

The Board then *directed Mr. Luft and the Budget and Finance Subcommittee to prepare a budget based on a tax rate of \$0.8460, which was the total 2008 tax rate. The Board also directed the Pool Subcommittee to revise pool hours.*

There being no further business to come before the Board, the meeting was adjourned at 7:27 p.m.

(SEAL)



Debbie Junk, Secretary
Board of Directors

Date: 8-26-09