

MINUTES OF THE MEETING OF THE BOARD OF DIRECTORS OF THE
FERN BLUFF MUNICIPAL UTILITY DISTRICT
May 19, 2009

THE STATE OF TEXAS
WILLIAMSON COUNTY

The Board of Directors of the Fern Bluff Municipal utility District convened in a regular meeting, open to the public, at 6:00 p.m. on May 19, 2009 at the Fern Bluff Municipal Utility District Community Center, 7320 Wyoming Springs Drive, round Rock, Texas, pursuant to notice duly given in accordance with the law.

The roll was called of the following members of the Board of Directors:

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| Vacant | President |
| Jeff Bradley | Vice President |
| Joseph Teiber | Secretary |
| Farrell Walker | Treasurer |
| Patrick Savarese | Assistant Secretary/Treasurer |

All Directors were present thus constituting a quorum. Also present, were Interim District Manager, Janey Miller, Bill Fry and Hector Alanis of Severn Trent Environmental Services, Julie Peak, and John Barganski of First Southwest Company, Phil Haag, Scott Rhodes, Jennifer Waits of McGinnis, Lochridge & Kilgore, LLP, Scott Arnold and Scott Placek of Arnold & Placek PC, and several District residents.

1. Citizen Communications - Dave Quillman addressed the Board, and requested an update on various items, including connector sidewalks, the status of the lower pond repairs and the District email list. Ms. Miller explained that as the District is currently undergoing a transition of management companies from Southwest Water Co. to Severn Trent Environmental Services, and that the District's files are currently unavailable, as they are being transferred. Director Teiber noted that the contractor hired to perform the work on sidewalk connectors has been paid for the first phase of the project which should occur at any time in the near future. Ms. Miller agreed to contact the contractor to find the status of the project. Mr. Quillman also asked what the progress on the lower pond dam in the Oak Brook subdivision was, and again, Ms. Miller said that as a result of the transition of management companies, that was a project that was at a stand-still. Mr. Quillman concluded his comments with an inquiry into the email list from the District's web master, and asked if the Agenda and other notifications were still being distributed to the email list. Ms. Miller said that she would contact the web master as to find out if there were any issues with managing the District's web site, and the mass email protocol typically used.

Next, Sheila Blaicher addressed the Directors to notify them that she was elected to the Board of the Oak Brook HOA, and asked about the of the status of the cedar trees lying in the greenbelt and other trees that appeared to be either diseased or dead. Director

Teiber stated that he met with an arborist earlier in the month, and that ECO Systems prepared a bid to remove these trees. Ms. Blaicher concluded her comments with a notification that the filtration basins in the Oak Brook neighborhood were full.

Director Bradley thanked Mr. Quillman and Ms. Blaicher for their comments, and encouraged citizens to continue providing comments and feedback.

2. The first items of business on the Agenda was Board action to engage McGinnis, Lochridge & Kilgore LLP as the District's General Counsel. Mr. Haag addressed the Board, informing him that he, Mr. Rhodes and Ms. Waits have moved their practice to McGinnis Lochridge & Kilgore LLP from Winstead P.C. and asked that the Board engage the new firm as General Counsel. Director Bradley suggested that the Board consider the level of service the District has received from its current legal team, specifically to determine if the District was getting its best counsel for the rates the District pays. Director Savarese noted that given the familiarity the current legal team has with current issues pending with the District, he recommended terminating the District's contract with Winstead P.C. and engage McGinnis, Lochridge & Kilgore, LLP. Director Walker noted that he felt it would be good for the Board to take this opportunity to consider the current rates charged to the District, and negotiate those rates in an effort to get the best value of representation. Director Teiber stated that he felt there was no value to the District to keep its business at Winstead P.C. and that the Board must decide to either engage McGinnis, Lochridge & Kilgore LLP or solicit bids for legal services from other firms. He said that when considering the rate concern, which he shares, now is not necessarily the time to solicit bids, as the Board has several legal matters pending. Director Teiber suggested that the District continue with Mr. Haag, Mr. Rhodes and Ms. Waits on an interim basis, until the District finds a better time to investigate other options. Director Bradley stated that Mr. Haag coming on board with the District was a vast improvement from the legal representation the District formerly had, but that his concern is that the District's legal matters are better managed. He said that he didn't know how to better package the legal representation deal, but he felt there must be a more fiscally responsible way to have legal expertise when needed than just constant legal representation that is expensive over time. He wants to have legal representation, but would rather see all consultants, including legal consultants be present when their expertise is needed. Director Savarese moved that the Board terminate its contract with Winstead P.C., and engage McGinnis Lochridge & Kilgore LLP. Upon further discussion, Director Savarese amended his motion to engage McGinnis, Lochridge & Kilgore LLP for a period of time including three regular Board meetings, and not to exceed 90 days, in order for the Board to craft a list of generalities and specialties needed to address continuity. Director Walker seconded the motion, and upon being placed to a vote, all directors voted, "aye." Director Teiber recommended that the Board appoint an ad hoc committee of Directors Walker and Teiber to address this issue. Mr. Haag thanked the Board for their consideration and for engaging McGinnis, Lochridge & Kilgore LLP.

3. Next, was Board discussion regarding the subregional wastewater contract with LCRA. At that time, Mr. Rhodes addressed the Board to explain the matters associated

with the District's contract with LCRA and the potential sale of the system. He introduced Ms. Julie Peak and John Barganzki of First Southwest Co. Ms. Peak has been the financial advisor to the District for 19 years and offered an explanation of the District's current financial state, and bond rating. After further discussion regarding potential benefits to the MUD for a "buy-in" of the LCRA wastewater facility and potential bond refunding projects the Board agreed to meet with Ms. Peak further.

Upon a motion by Director Savarese, seconded by Director Teiber; the Board unanimously approved the creation of an ad hoc committee to work on matters associated with bond refunding options and other financial aspects of the sale of the LCRA wastewater treatment plant.

Ms. Peak agreed to meeting with committee members to review and discuss bond refunding and LCRA financing options on May 28, 2009.

3. The next item for discussion was wastewater averaging for the District. District resident, Bob Tacto approached the Board and thanked them for the time and service they each devote to the District. He asked the Board to consider using his previous winter average or previous 2 years winter average for his wastewater rate, since he had to water during the averaging period. Upon a motion by Director Savarese, and seconded by Director Walker; the Board unanimously approved to replace the current rate with the lesser of the 2 rates: either the previous year or the average of the previous 2 years.

4. Next, the Board received reports from the District landscape maintenance contractor:

Landscape Maintenance Contractor – Mr. Burns presented his report in its entirety and as contained in the Board packet. Additionally, Mr. Burns submitted two proposals for tree pruning and clean up at Olsen Meadows. During a discussion regarding which trees were subject to removal, Mr. Quillman requested that those trees be tagged. Upon a motion by Director Walker, and seconded by Director Bradley; the Board unanimously approved the proposals subject to Oakbrook HOA confirmation of property release and/or inspection.

At 7:25 p.m. Director Bradley announced that the Board of Directors would go into Executive Session pursuant to Texas Open Meetings Act Section 551.071-551.074.

At 9:20 p.m. the Board convened in regular session and Director Bradley announced that no action was taken in Executive Session.

5. The next item of business was consideration and approval of items contained within the consent agenda. Upon a motion by Director Savarese, and seconded by Director Teiber; the Board unanimously approved the consent agenda.

6. Next, the Board considered and discussed a clean-up project at 9011 O'Connor. Director Teiber said that he notified the Brushy Creek MUD that the Fern Bluff MUD was fine with the language presented in the Egress agreement previously submitted, and that Brushy Creek MUD was currently obtaining a bid for the clean-up efforts.

7. The next item of business was for the Board to receive a report from the District's Consultants and Committees:

Interim General Manager – Ms. Miller presented her report in its entirety and as contained within the Board packet. She noted that the Board previously authorized the purchase of new office furniture for the Community Center, and that she was ready to replace the furniture. Upon a motion by Director Teiber, and seconded by Director Savarese; the Board unanimously approved an authorized Ms. Miller to declare the existing furniture as surplus and dispose of it, as well as purchase new furniture. Ms. Miller also asked that the Board determine items that they consider as the top 5 priorities for her to address. After a brief discussion, the Directors decided that the transition from SWWC to Severn Trent, the attendance at LCRA meetings, and road issues with their associated action items are first and foremost, but that they would like for her to submit her list of priorities and they will each score the items as their personal level of priority. Director Bradley said that he felt that would provide more guidance than a discussion right now.

Additionally, the Board discussed its contract with Severn Trent Environmental Services. Mr. Rhodes said that he will continue to work with Mr. Fry on the contract language. Upon a motion by Director Savarese, and seconded by Director Bradley; the Board unanimously approved an ad hoc committee comprised of Directors Teiber and Bradley and to include Ms. Miller to finalize the contract language.

Budget Committee – The Budget committee reported that they are awaiting the LCRA's response to the City of Round Rock's proposal to purchase the facility. Mr. Rhodes said that once he received a response, he would present it to the Board.

Deed Restriction – Ms. Miller reported that the home on the corner of Park Valley and Glen Canyon replaced their fence and followed through with all of the obligations to their property as agreed to.

Newsletter - The Board agreed that the newsletter would contain an article submitted by Ms. Kim Oakley, notification of the Board vacancy, the upgrade of the District's bond rating, new management and proper cul-de-sac parking.

With no further items to come before the Board; and upon a motion by Director Savarese; seconded by Director Walker; the Board adjourned at 9:57 p.m.

The board reconvened in regular session at 9:57 p.m. to address a drinking fountain in disrepair at one of the District parks. Upon a motion by Director Savarese; seconded by Director Walker, the Board approved the repairs with a cost not to exceed \$4,000.00.

The meeting adjourned at 9:57 p.m.

Secretary
Fern Bluff MUD Board of Directors