

AN ORDER ESTABLISHING A DISTRICT POLICY ON
PROVIDING WATER AND/OR WASTEWATER SERVICES
TO AREAS OUTSIDE THE DISTRICT BOUNDARIES

WHEREAS, the Texas Water Code authorizes the District to annex additional land to the District and to extend service to land outside of the District provided it is to the advantage of the District, is feasible and would benefit the District, and provided that the District's water and wastewater systems are sufficient to supply the added land or customers without injuring land already in the District; and

WHEREAS, the District has carefully reviewed the present service capabilities of its water and wastewater systems and has determined that the present service demand and the reasonably projected future water and wastewater requirements on the District are such that it cannot serve additional land or customers not now in the District or its present service area without depriving land in the District of service to which it is entitled and thereby injuring it; and

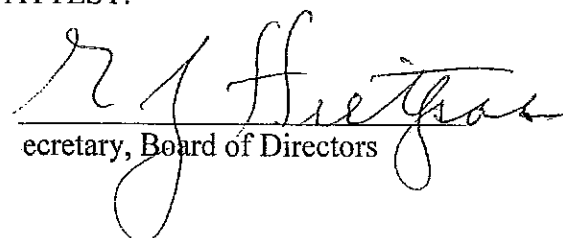
WHEREAS, the District has reviewed its ability to finance new improvements and has determined that it will be most difficult under existing market conditions; therefore,

BE IT ORDERED BY THE BOARD OF DIRECTORS OF LAKEWAY MUNICIPAL UTILITY DISTRICT:

1. That the above recitations are hereby confirmed and made official findings of the Board of Directors.
2. That no additional land requiring water and/or wastewater services shall be annexed to the District unless and until the District's present water production and wastewater treatment capacities have been expanded to provide all additional capacity necessary to serve the land presently contained in the District and its present service areas.
3. That the District shall provide no new water and/or wastewater service to any area not presently within its outside-of-District service area until present water production and wastewater treatment capacities have been expanded to provide all additional capacity needed to serve the land presently-contained in the District and its present service area. The District reserves the right to further curtail service to the service area outside-of-the-District if it is necessary to do so to protect the quality and capacity for service to areas within the District's boundaries.
4. The fact that the District has limited water and wastewater treatment capacity and substantial limitations on its ability to expand and enlarge such capacity makes it imperative that the District adopt a policy assuring its taxpayers and residents that the District will not provide new service to the injury and detriment of customers residing in the District and entitled to water and wastewater services from the District.

PASSED AND APPROVED and effective on August 19, 2009.

ATTEST:


Secretary, Board of Directors


President, Board of Directors