

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

April 28, 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 April 28, 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 was Ilyse Lerner of Armbrust & Brown, L.L.P.

Director Davis called the meeting to order at 6:03 p.m. and stated that the Board would discuss utility operations and management services. He stated that the Board would first convene in executive session to receive legal advice regarding those services and that, after the Board reconvened in open session, each Board member would be allotted ten minutes to express his or her thoughts and concerns regarding operations and management services. At 6:05 p.m., Director Davis announced that the Board would convene in executive session under Section 551.071 of the Texas Government Code to receive legal advice regarding the current Management Services Agreement with SWWC Services, Inc. ("SWWC") and related matters regarding utility operations and management services. At 6:11 p.m., the Board reconvened in open session and Director Davis stated that no action had been taken during executive session.

Director Davis then recognized Director Roberts, who stated that, historically, the District's manager acted as a true general manager, meaning that he or she managed the District's recreational facilities, made recommendations with respect to District rules and procedures, and performed various other managerial tasks without the Board's constant supervision. Director Roberts stated that, over the past ten years, the managers at SWWC had taken on less of those responsibilities because their hands were tied by upper management, which was concerned with numbers and not customer service. She noted that she understood that SWWC was currently being sued by some of its shareholders because the company's past financial statements had been reported incorrectly. Director Roberts added that she felt that operations services were also in decline. She stated that she had contacted Donna Howe, the

Vice-President of the Wells Branch Municipal Utility District Board of Directors, who had informed her that the Wells Branch board had not hesitated to engage a new start-up utility services company, Crossroads Utility Services, LLC ("Crossroads"), to replace SWWC. Director Roberts stated that she felt Crossroads would make customer service its first priority and that the Crossroads employees she knew had a high level of integrity. She noted that Jim Brown, the CEO of SWWC, had not bothered to contact the Board or attend a Board meeting. She added that she understood that upper management at SWWC would not entertain the option of offering an on-site staff person and that, until SWWC was faced with competition, it had never bothered to address problems that the Board had pointed out.

Director Davis thanked Director Roberts for her comments and recognized Director Bennett. Director Bennett stated that he felt the lack of service provided by SWWC had resulted in tension between Directors and, more importantly, inadequate customer service. He stated that the duty of the Board was to work with and oversee District consultants, but not do their jobs. He added that he knew that Margret Wingrove and Gary Spoons, both Crossroads employees, were credible and trustworthy people. Director Bennett stated that he had contacted Carol Pumbo regarding the lawsuit against SWWC, and she had informed him that many companies were going through similar events at this time, but that, if the Board was concerned about the level of service it was currently being provided, then that would be reason enough to consider moving in another direction.

Director Davis then recognized Director Junk, who stated that she appreciated the other Directors' comments. Director Junk stated that she was concerned that Andrew Hunt was overextended as the manager of several clients, but that she felt he was doing a great job. She noted that, regardless of the direction the Board chose, the decision would have an impact on the District's budget. She indicated that she was very disappointed in SWWC's oversight of the District's service contracts and that Tony Elmer had not eased her concerns at the last meeting. Director Junk stated that she did have some concerns related to Crossroads, including possible litigation regarding non-compete agreements and the companies' undermining each other. She asked for examples of situations in which SWWC managers' hands were tied by upper management. Director McMullen stated that Mr. Spoons had informed him that upper management would not allow him to offer an on-site employee at the District or schedule park inspections at night. Director Roberts stated that the general managers were also unhappy that customer service had been relocated to Houston.

Director Davis then recognized Director McMullen, who stated that he was somewhat relying on the opinions of Directors Bennett and Roberts because they were the only directors who had experience with managers who performed all required duties. Director McMullen agreed that Mr. Hunt was currently overextended, and expressed concern that Mr. Hunt might leave SWWC, leaving the District to start over with a new manager unacquainted with the District. He stated that he would like to know which of Crossroads' employees had non-compete agreements with SWWC. Director Roberts stated that she understood that Crossroads had consulted an attorney who advised that the agreements were ineffective. She noted that the employees at Crossroads were very well-acquainted with the District, and added that Crossroads had offered to enter into a contract with a six-month term and the same terms as the District's current Management Services Agreement, including fees.

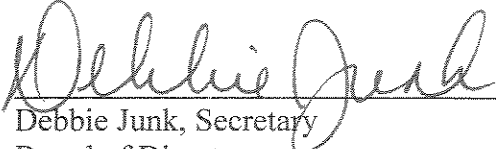
Director Davis stated that he agreed that operations services had declined. He added that he was also disappointed that upper level management at SWWC had not bothered to contact the District until it was trying to save its contract. He stated that he was dissatisfied with the customer service at SWWC, which seemed to adopt a "cannot-do" philosophy, even in response to legitimate complaints. He stated that he did not believe that the Board should enter into a six-month contract with any contractor because the District would then be at the mercy of that contractor at the end of the six-month term. Director Davis stated that he had some concerns regarding Crossroads' enthusiasm for new technology when it did not even have a working company website yet. He indicated that he felt competition in the field was advantageous to the District and that he was excited by the prospect of having a general manager that actually did its job in full.

Director Davis then stated that the Board would enter into an open discussion of operations and management services. Director Junk stated that she agreed that the District should not enter into a temporary contract at this time. Director Roberts stated that Crossroads had not had time yet to build its website. Ms. Lerner recommended that the Board send out requests for proposals for operations and management services, which would allow the Board to compare prices and service levels. Ms. Lerner then presented an update from SWWC regarding the restatement of its financial statements and the related class action lawsuit, a copy of which is attached as Exhibit "B". After further discussion, Director Roberts moved that the Board authorize Ms. Lerner and Directors Roberts and Bennett to draft and send Crossroads and SWWC requests for proposals to be considered at the next Board meeting. Upon second by Director Junk, the motion was unanimously adopted.

At 7:34 p.m., Director Davis stated that the Board would reconvene in executive session under Section 551.071 of the Texas Government Code to receive legal advice regarding the requests for proposals for utility operations and management services. At 8:24 p.m., the Board reconvened and Director Davis stated 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: 5-27-09