

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

July 13, 2009

THE STATE OF TEXAS §
 §
COUNTY OF WILLIAMSON §

An emergency meeting of the Board of Directors of Block House Municipal Utility District was held on July 13, 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, except Director Bennett, 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 7:00 p.m. and stated that the Board would discuss the lawsuit filed by Southwest Water Company ("Southwest") against Crossroads Utility Services, L.L.C. ("Crossroads"), Stephen C. Held, Margret Wingrove and Gary Spoons and its effect on the District's operations and general management services. Ms. Lerner presented a copy of the Original Petition, Verified Application for Temporary Restraining Order, and Request for Temporary and Permanent Injunction, attached as Exhibit "B", which had been filed by Southwest, and a copy of the Temporary Restraining Order and Order Setting Hearing for Preliminary Injunction, attached as Exhibit "C" ("TRO"), which had been issued by the Williamson County District Court on July 3, 2009. Ms. Lerner noted that, upon learning of the lawsuit on July 10, her firm had requested those documents, which had been delivered that day. She explained that Southwest had sued Crossroads, Mr. Held, Ms. Wingrove and Mr. Spoons for tortious interference with Southwest's business relationships, breach of non-compete contracts, misappropriation of confidential information, conversion of trade secrets and conspiracy. Ms. Lerner stated that the TRO prohibited Crossroads from acting as the District's operator and Mr. Spoons from acting as the District's general manager, and that, if granted, the temporary injunction requested by Southwest would extend that prohibition until trial on the merits. She explained that this prohibition would have a significant adverse effect on the District's ability to provide utility services to its customers.


At 7:03 p.m. Director Davis announced that the Board would convene in executive session under Section 551.071 of the Texas Government Code in order to receive legal advice

regarding Southwest Water Company vs. Crossroads Utility Services, L.L.C., Stephen C. Held, Margret Wingrove, and Gary Spoons and related matters concerning the District's operations and general management services. At 8:20 p.m., the Board reconvened in open session, and Director Davis announced that no action had been taken during executive session.

Upon motion by Director Roberts and second by Director Junk, the Board voted unanimously to (i) authorize Jeff Hobbs, an attorney with Armbrust & Brown, L.L.P., to file a motion to intervene on the District's behalf at the hearing to be held on July 15 to determine whether the TRO should be made a temporary injunction, unless Mr. Hobbs, Director Roberts and Director Davis determined that intervening would not be in the best interest of the District upon considering any information discovered after the meeting but before the hearing; and (ii) authorize Mr. Hobbs, Director Roberts and Director Davis to take any necessary follow-up action they deemed necessary in connection with the intervention and the pending lawsuit, including filing a Motion to Non-Suit, if necessary, in order to protect the District's ability to operate as a public water and wastewater service provider in accordance with applicable law.

There being no further business to come before the Board, the meeting was adjourned at 8:24 p.m.

(SEAL)



Debbie Junk, Secretary
Board of Directors

Date: 8-26-09