

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
January 12, 2009

The Board of Directors ("Board") of Harris County Water Control and Improvement District No. 119 met at 9711 Landry Boulevard, Spring, Harris County, Texas, on January 12, 2009, in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of the Board, as follows:

William E. Eckert, President
Andrew R. Phelps, Vice President
John Soileau, Secretary
Robert Williams, Treasurer
William Manning, Director

and all of said members were present, thus constituting a quorum.

Also present were David Rowe of Water District Management Co. ("WDM"); Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA"); Robin Humphrey of Wheeler & Associates, LP ("Wheeler"); Troy Bordelon of A&S Engineers, Inc. ("A&S"); Steve Alvis of New Quest; Bernard Felefli, Terry Gagneux and Bob Feeney, District residents; and David Marks of David M. Marks, P.C.

The President called the meeting to order and declared it open for such business as might regularly come before it.

As the first order of business, the Board considered comments from the public. Mr. Gagneux and Mr. Feeney addressed that Board and stated that they would like the District to set up payment of water bills by credit card and would also like the option of on line bill pay. The Board noted that the District's web site is under design, and that it plans to add on line bill pay as soon as the site is up and running.

Mr. Gagneux and Mr. Feeney exited the meeting at this time.

Mr. Felefli next addressed the Board and advised that he had difficulty getting his tax bill from Wheeler's office. He further stated that he could not get service from Wheeler's office and couldn't get any information on whom to contact regarding same. He noted that Ms. Humphrey's did ultimately contact him and assisted him in resolving all issues.

Mr. Alvis next addressed the Board regarding the status of his developer reimbursement. He stated that he has approximately \$5,600,000 of tax value currently on the ground and has a total of approximately \$100,000 in reimbursables. Mr. Alvis requested that the District reimburse him the \$100,000 out of its existing revenues and not make him wait for a future bond issue. He further offered to waive 6 months worth of developer interest. Mr. Eckert advised him that the board has previously committed to Mr. Montgomery of his office that it would look into reimbursement out of surplus construction funds once all of the current projects are complete, projected to be in early Fall, 2009. Mr. Eckert then requested that an item be placed on the next meeting agenda relative to same.

The Board next reviewed and considered the approval of the minutes of the meeting held on December 8, 2008. After review and discussion of the minutes presented, Director Williams moved that the minutes of the meeting held on December 8, 2008, be approved as corrected. Director Phelps seconded said motion, which unanimously carried.

The Board next considered the execution and filing of Internal Revenue Service reporting form 8038-G relative to the District's \$2,785,000 Unlimited Tax Bonds, Series 2009. After discussion, Director Williams moved that such reporting form be approved and that the President of the Board be authorized to execute same on behalf of the Board and District. Director Phelps seconded said motion, which carried unanimously.

Mr. Marks next presented and reviewed correspondence from his firm as bond counsel regarding the expenditure and investment of the bond proceeds and Internal Revenue Service Restrictions on same, a copy of which is attached hereto.

The Board next considered execution of an Amendment to the District's Tenth Amended and Restated District Information Form relative to the District's \$2,785,000 Unlimited Tax Bonds, Series 2009. After further discussion of the matter, Director Williams moved that the Amendment to the District's Tenth Amended and Restated District Information Form be approved and that all Board members in attendance at the meeting be authorized to execute same. Director Phelps seconded said motion, which carried unanimously.

As the next order of business, the Board considered the approval of various documents to be executed by the District in connection with the closing of the sale of the District's \$2,785,000 Unlimited Tax Bonds, Series 2009. In that regard, Mr. Marks presented and reviewed various closing documents with the Board, including the No-Litigation Certificate, the District's Receipt, a closing instruction letter, and the Federal Tax Certificate and advised that the closing is scheduled for Thursday, January 15, 2009, at 10:00 a.m. After further discussion of the closing documents, it was moved by Director Williams, seconded by Director Phelps and unanimously carried that the above-referenced documents be approved by the Board, that the President and Secretary be authorized to execute same on behalf of the Board and District, and that DMM be authorized to deliver same, as appropriate, upon the closing of the Series 2009 Bonds.

The Board next considered the report on the status of collection of taxes, the status of collection of delinquent tax accounts, and the payment of invoices in connection therewith for the month of December, a copy of which is attached hereto. Ms. Humphrey reported that 35.46% of the District's 2008 taxes and 98.33% of the District's 2007 taxes had been collected through December 31, 2008. She then presented check nos. 2583 through 2596, inclusive, for payment and two (2) wire transfers. After discussion of the report submitted, it was moved by Director Manning, seconded by Director Phelps and unanimously carried that said report be approved and that check nos. 2583 through 2596, inclusive, and the two (2) wire transfers, be approved for payment, as identified in said report.

The Board next reviewed the delinquent collections list and there was a discussion regarding the status of District delinquent tax accounts. In connection therewith, Mr. Marks presented for the Board's review and information a written report dated January 8, 2009, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C., a copy of which is attached hereto.

Director Soileau entered the meeting at this time.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of December 2008, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 98.53%. He stated that the District's facilities had been operating in compliance with their respective permits during the month.

Mr. Rowe next reported on the status of the roof repairs at the sewage treatment plant building caused by Hurricane Ike. He stated that the repairs are complete, but repairs are still needed to the sheetrock damage.

The Board next deferred action relative to the status of repairs to the sewage treatment plant road.

The Board next deferred authorizing the painting of the curb side address numbers until the fall.

Mr. Rowe next requested that the Board consider authorizing WDM to turn over five (5) delinquent accounts to NCO Financial Systems ("NCO") for collection, in the total amount of \$134.65, and to write off one (1) account in the amount of \$0.22. After discussion on the matter, Director Williams moved that WDM be authorized to turn over the five (5) accounts in the total amount of \$134.65 to NCO for collection, and to write off the one (1) account totaling \$0.22. Director Manning seconded said motion, which unanimously carried.

The Board next considered authorizing the operator to provide the required information to districts receiving water through emergency water interconnects relative to Consumer Confidence Reports. After discussion, Director Phelps moved that the operator be authorized to provide the required information. Director Soileau seconded said motion, which unanimously carried.

Mr. Rowe next stated that WDM received one (1) sewage treatment plant odor complaint call and two (2) water quality calls during the past month.

The Board next considered the status of reimbursement from the Federal Emergency Management Agency ("FEMA") for expenses incurred relative to Hurricane Ike. In connection therewith, Mr. Rowe stated that WDM has filed and is monitoring the claim with FEMA. Mr. Bordelon then discussed the filing with Harris County relative to back up generators.

The Board next considered the status of the NHCRWA, including the status of construction of a waterline to Water Plant No. 2, use of Water Well No. 2 for blending requirements and the approval of a Right of Entry and Possession Agreement (the "Agreement") with the NHCRWA relative to Water Plant Site No. 2. After discussion on the matter, Director Manning moved that said Agreement be

approved. Director Phelps seconded said motion, which unanimously carried.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts, status of construction contracts previously awarded, and acceptance of sites and easements. Mr. Bordelon presented a report relative to same, a copy of which is attached hereto. In connection therewith, the board deferred the approval of plans and specifications and authorization of advertisement for bids to convert the chlorination system at the District's three water plants to a chloramine system, after Mr. Bordelon noted that A&S is currently addressing the TCEQ's comments and will resubmit the design for approval.

The Board next deferred the review of bids and concurrence in an award of a contract for the rehabilitation of the sanitary sewer lines, after Mr. Bordelon noted that A&S will advertise the project next week.

The Board next deferred authorizing the preparation of plans and specifications for installation of additional diesel tanks and auxiliary power and installation of auxiliary power at the lift stations. Mr. Bordelon noted that A&S is currently working with Shrader Engineering Company on providing the board with options and estimated costs of construction.

The Board next deferred the approval of plans and specifications relative to water and sanitary sewer extensions to serve the Singh property on the North side of Spring Cypress, after noting that A&S has not yet received any plans or specifications regarding the project.

The Board next deferred authorizing the preparation of plans and specifications for modifications to Water Plant No. 2 to enable blending with surface water.

The Board next considered approval of an Out of District Service Contract with Klein Independent School District ("KISD") for service to a 125 acre tract. In that regard, Mr. Marks and Mr. Bordelon advised that they have not heard from KISD.

The Board next deferred the approval of a Maintenance Agreement relative to a private lift station to serve the Singh property on the North side of Spring Cypress. In connection therewith, Mr. Marks advised that same has been sent to Singh for execution.

The Board next deferred the approval of an updated Order Regulating the Introduction of Wastewater Into the Sanitary Sewer System of the District.

The Board next considered the approval of a Resolution in Support of the Application of Regency Centers to the Texas Commission on Environmental Quality. After discussion on the matter, Director Phelps moved that said Resolution be adopted by the Board. Director Soileau seconded said motion, which unanimously carried.

The Board next deferred authorizing sending the proposal to the Harris County Flood Control District ("HCFCD") and Commissioner Eversole offering a lump sum payment for the remaining facility repairs in exchange for final acceptance by HCFCD.

The Board next deferred the status of acceptance of the Memorial Creek Estates, Section 4 Detention Pond by HCFCD.

The Board next deferred the status of acceptance of the Memorial Creek Estates, Section 1 Detention Pond by HCFCD.

The Board next deferred the status of acceptance of 5 sections of conveyances and detention facilities in Memorial Springs by HCFCD.

The Board next deferred the approval of a Special Warranty Deed from MSII Development, Ltd. relative to the Memorial Springs, Section 8 drainage ditch.

The Board next deferred the approval of a Correction Dedication of Flood Control and Drainage Easement relative to the Memorial Springs Detention Ponds and Drainage Ditches.

The Board next deferred the approval of a Conveyance of Utility Facilities relative to the sanitary sewer line extensions constructed by Statewide to serve the Singh property. In connection therewith, Mr. Marks advised that same has been forwarded to Dr. Singh for execution.

The Board next deferred the issuance of utility commitments, after noting no requests were made.

The Board next deferred a report regarding the status of development of property within the District.

The Board next considered the status of the web site design and operation of the District's website. In connection therewith, the Board discussed the status of same.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Mr. Marks discussed an email received from Karen Sears of Legacy, a copy of which is attached hereto. After discussion, the Board requested that Ms. Sears advise the Board of the minimum energy conservation required to be in compliance with the new laws.

The Board next considered the financial and investment reports and the invoices presented for payment. In connection therewith, Ms. Rosenbaum distributed to the Board the attached bookkeeping report, investment report, pledged securities report, bills presented for payment and profit and loss statement for the District's fiscal year, prepared by MAC, the District's bookkeeper. After review and discussion of the reports presented, upon motion duly made by Director Williams, seconded by Director Soileau, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 13793, 13794 and 13801 through 13852, inclusive, with one wire transfer, and on the Capital Projects Account being check nos. 5488 through 5495, and four wire transfers, as set out in said report.

The Board next considered the annual review of the District's Order Establishing Policy for Investment of District Funds and Appointing Investment Officer ("Order") and the adoption of a Resolution relative thereto. In connection therewith, Mr. Marks advised that there are no proposed changes to the Order at this time and recommended that the current Order remain in effect. After discussion on the matter, Director Phelps moved that the attached Resolution Regarding Review of Order Establishing Policy for Investment of District Funds and Appointing Investment Officer be adopted, and that the President be authorized to sign and the Secretary to attest said Resolution on behalf of the Board and District. Director Soileau seconded said motion, which unanimously carried.

Mr. Marks next advised the Board that requirements in the Public Funds Investment Act require the Board of Directors of the District to review, revise and adopt at least annually a list of qualified brokers authorized to engage in investment transactions with the District. In that regard, he reviewed with the Board a Resolution

Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District, and a list of financial institutions, brokers and dealers attached thereto as Exhibit "A". Mr. Marks recommended to the Board that if any of the directors have a relationship with any of the institutions shown on the list that could create a conflict of interest, then that institution(s) should be deleted from the list that the Board adopts. After discussion, Director Phelps moved that the Resolution Adopting List of Qualified Brokers Authorized to Engage in Investment Transactions with the District be approved by the Board. Director Soileau seconded said motion, which unanimously carried.

The Board next considered discussions relative to the purchase of park land, preparation of a park plan and authorizing the sale of park bonds. In connection therewith, the Board discussed the status of the Homeowner's Association and the District owned land on Laundry Blvd. Director Phelps noted that at a minimum, the site needs to be under bushed and graded.

The Board next considered the engagement of Arbitrage Compliance Specialists, Inc. for preparation of a 5th Year Yield Reduction Payment Report relative to the District's Series 2004 Bonds. After discussion, Director Williams moved that Arbitrage be engaged to prepare said report as set out above. Director Manning seconded said motion, which unanimously carried.

The Board next discussed the renewal of the District's insurance coverage for the term expiring March 31, 2009, including authorizing DMM to solicit proposals for same. After discussion on the matter, the Board requested that DMM obtain proposals from the three (3) insurance carriers in the industry for review at the next meeting.

There being no further business to come before the Board, the meeting was adjourned.

/s/ John Soileau

John Soileau
Secretary

ATTACHMENTS

1. IRS Restrictions Correspondence;
2. Tax Assessor/Collector Reports;
3. Ted Cox Report;
4. Operators Report, including correspondence;
5. Engineering Report, including correspondence;
6. Legacy email;
7. Bookkeeper's Report; and
8. List of Qualified Brokers.