

HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 119
Minutes of Board of Directors Meeting
March 9, 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 March 9, 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, except Directors Phelps and Soileau, thus constituting a quorum.

Also present were David Rowe of Water District Management Co. ("WDM"); Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MAC"); Robin Humphrey of Wheeler & Associates, LP; Troy Bordelon of A&S Engineers, Inc. ("A&S"); Don Skipton; and David Marks of David M. Marks, P.C.

In absence of the Secretary, Director Manning was named Secretary Pro Tem and authorized to execute the minutes of the meeting.

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 members the public. In connection therewith, Mr. Skipton addressed the Board and discussed the status of construction of his building and development.

The Board next reviewed and considered the approval of the minutes of the meeting held on February 9, 2009. After review and discussion of the minutes presented, Director Williams moved that the minutes of the meeting held on February 9, 2009, be approved as written. Director Manning seconded said motion, which unanimously carried.

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 February, a copy of which is

attached hereto. Ms. Humphrey reported that 91.43% of the District's 2008 taxes had been collected through February 28, 2009. She then presented check no. 2600, for payment and two (2) wire transfers. After discussion of the report submitted, it was moved by Director Williams, seconded by Director Manning and unanimously carried that said report be approved and that check no. 2600, 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, which had been prepared by the District's delinquent tax attorney, Ted A. Cox, P.C.

The Board next considered the report on the District's water, sanitary sewer and storm sewer systems for the month of February 2009, a copy of which is attached hereto. In that regard, Mr. Rowe reported that the water accountability percentage for the month is 94.48%. He stated that the District had an NH3N excursion during the month. Mr. Rowe noted that WDM will be filing a violation notice with the TCEQ. He stated that he doesn't yet know the cause of the excursion but is working on bringing the plant into balance.

Mr. Rowe next reported on correspondence received from Todd & Mary Tetreault of 16923 Ballycastle Drive, requesting on line bill payment, a copy of which is attached hereto. After discussion, the Board concurred that said option be placed on the next agenda for further discussion. Mr. Rowe advised he will forward documents relative to same to Mr. Marks for review.

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

Mr. Rowe next requested that the Board consider authorizing WDM to turn over three (3) delinquent accounts to NCO Financial Systems ("NCO") for collection, in the total amount of \$196.44. After discussion on the matter, Director Williams moved that WDM be authorized to turn over the three (3) delinquent accounts in the total amount of \$196.44 to NCO for collection. Director Manning seconded said motion, which unanimously carried.

Mr. Rowe next advised that WDM received no water quality calls during the 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 it appears that the District's insurance company is going to pay the full amount of the claim submitted in connection with Hurricane Ike.

The Board next considered the status of the NHCRWA, including the status of construction of a waterline to Water Plant No. 2 and the use of Water Well No. 2 for blending requirements. In that regard, Mr. Bordelon advised that he has re-sent comments relative to the plans.

The Board next considered the Financial Advisor's report relative to developer qualification for reimbursement relative to the New Quest development. After discussion, the Board concurred to wait to make a decision relative to using surplus construction funds for the reimbursement until the chloramine project, sanitary sewer rehabilitation and the conveyance of the drainage facilities to the Harris County Flood Control District are complete. The Board further concurred they would be willing to pay developer interest beyond the 2 years.

The Board next considered authorizing the design, advertisement for bids and/or award of construction contracts. 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 has received approval from the TCEQ, and advised that same will now be submitted to the City of Houston for approval.

The Board next considered the review of bids and concurrence in an award of a contract for rehabilitation of the sanitary sewer lines. In that regard, Mr. Bordelon reported to the Board that five (5) bids had been received for said project on February 13, 2009. He advised that the low bid on said project was submitted by Lopez Utilities Contractor, LLC ("Lopez") in the amount of \$1,690,371.25. Mr. Bordelon then recommended that the contract for the rehabilitation of the sanitary sewer system be awarded to Lopez, and that the Board authorize the President to execute the construction contract with Lopez on behalf of the Board and District for the subject work. After due deliberation and consideration, motion was duly made by Director Williams, seconded by Director Manning and unanimously

carried, that the contract be awarded to Lopez, at the low bid price of \$1,690,371.25 in accordance with the rules promulgated by the Texas Commission on Environmental Quality ("TCEQ").

The Board next discussed a possible change order to add the rehabilitation of additional sewer lines to the project, as the District budgeted approximately \$2,200,000 for said project. After discussion, the Board concurred that a change order should be prepared for the additional work.

The Board next considered authorizing the preparation of plans and specifications for installation of additional diesel tanks for auxiliary power and installation of auxiliary power at the lift stations. After discussion, the Board deferred action at this time.

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

The Board next considered authorizing the preparation of plans and specifications for modifications to Water Plant No. 2 to enable blending with surface water. After discussion, the Board concurred to defer action until the surface waterlines are in place.

Mr. Bordelon next reported that he received a call from Lisa Hill, a District resident, concerned about the Memorial Springs ditch. He stated that he explained the ditch concept with her and she pointed out that the ditch is overgrown. After discussion, the Board requested that Mr. Rowe obtain an estimate to mow and remove the tress in the ditch.

Mr. Bordelon next stated that Harris County called Mr. Yager advising that the storm permit had not yet been transferred. He advised that he requested a copy of the permit from Mr. Yager.

The Board next deferred consideration of 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 stated he has spoken with Ms. Herman who advised that KISD is currently negotiating a no tap fee deal with Charterwood MUD.

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, after noting that Dr. Singh has not yet returned same.

The Board next considered the approval of a 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. In that regard, Mr. Marks advised that same is pending with the 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.

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, Mr. Rowe advised that the website is still under construction.

The Board next considered the status of implementation of energy efficiency programs. In connection therewith, Mr. Marks distributed a proposal received from Legacy. After discussion, Director Williams moved that said proposal be approved. Director Manning seconded said motion, which unanimously carried.

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 Manning, and unanimously carried, the Board approved said reports, and authorized payment on the Operating Account being check nos. 13860, 13887 and 13894 through 13937, inclusive, with check nos. 13860, 13894 and 13895 being voided, and on the Capital Projects Account being check nos. 5503 and 5504, and two (2) wire transfers, as set out in said report.

Ms. Rosenbaum next presented and reviewed with the Board a Quarterly Investment Report which had been prepared by MAC, relative to the District's Debt Service Fund, Construction Fund and Operating Fund for the reporting period November 1, 2008, through January 31, 2009, a copy of which is attached hereto. After review of the Quarterly Investment Report and upon motion duly made by Director Williams, seconded by Director Manning and unanimously carried, said Quarterly Investment Report was approved and the District's Investment Officer was authorized to execute same on behalf of the Board and District.

The Board next deferred discussions relative to the purchase of park land, preparation of a park plan and authorizing the sale of park bonds.

The Board next considered the renewal of the District's insurance coverage for term expiring March 31, 2009. In connection therewith, Mr. Marks distributed proposals received from Anco McDonald Waterworks Insurance, LLC, Highpoint Insurance Group, LLC and AquaSurance relative to property, comprehensive boiler and machinery, commercial general liability and hired car and non ownership automobile liability, pollution liability, directors and officers liability, umbrella, public employee blanket crime, directors position schedule bond, tax assessor/collector bond, worker's compensation, and business travel coverage

scheduled to expire on March 31, 2009, copies of which are attached. After discussion on the matter, Director Williams moved that the proposals of AquaSurance for property, comprehensive boiler and machinery, commercial general liability, pollution liability, hired and non-owned auto liability, commercial umbrella liability, directors and officers liability, workers' compensation, business travel accident, director's position schedule bond, public employee blanket crime and tax assessor/collector bond, with all policies expiring on March 31, 2010, be approved, and that the President be authorized to execute same on behalf of the Board and District. Director Manning seconded said motion, which unanimously carried.

The Board next considered the adoption of an Order Establishing an Identity Theft Prevention Program. Mr. Marks reviewed and discussed same with the Board. After discussion, Director Manning moved that said Order Establishing an Identity Theft Prevention Program be approved and that the President and Secretary Pro Tem be authorized to execute same on behalf of the Board and the District. Director Williams seconded said motion, which unanimously carried.

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

/s/ William Manning

William Manning
Secretary Pro Tem

ATTACHMENTS

1. Tax Assessor/Collector Reports;
2. Operators Report, including correspondence;
3. Tetreault correspondence;
4. Engineering Report, including correspondence;
5. Bookkeeper's Report;
6. Quarterly Investment Report;
7. AquaSurance Proposal;
8. Anco McDonald Proposal; and
9. HighPoint Proposal.