

and Brad Flack of Champions Hydro-Lawn, Inc. ("Champions"); Messrs. Joel Cullins and Cody Quinn of Preventive Services, LP, construction field inspection service contractor for the District; Sergeant David Blankenship of the Harris County Precinct 4 Constable's office; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

Mr. Conner first introduced Messrs. Cullins and Quinn to the Board.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda.

Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) the minutes of the regular meeting of October 19, 2004 and special workshop meeting of October 12, 2004; 2) accept and authorize execution of the Petition for Annexation of 1.0-acre Shipley's Do-Nut ("Shipley's") tract; 3) accept and authorize execution of the Petition for Annexation of 7.9103-acre Moparty Clinic tract; 4) authorize design of the following projects: (a) 8-inch public water line loop for the northeast corner of FM 2920 and Kuykendahl Road at Retail Phase III; (b) Spring Terrace, Section 4 water, sewer and drainage facilities; (c) 12-inch water line extension along T.C. Jester from Springbrook, Section 4 to FM 2920; and (d) Lift Station No. 5 force main extension; 5) authorize advertising for bids, subject to Jones & Carter's receipt, review and approval of project plans for the 8-inch public water line loop for the northeast corner of FM 2920 and Kuykendahl Road at Retail Phase III; 6): review bid tabulations and award construction contract for the following projects: (a) Northcrest Village, Sections 1, 2 and 3 clearing and grubbing; (b) Spring Terrace, Section 3 water, sewer and drainage facilities; and (c) Bridgestone Lakes, Section 4 12-inch water line extension; 7) approve the following pay estimates and change orders: (a) Pay Estimate No. 3 and Final in the amount of \$75,984.79 to Slack & Company, Inc. for construction of the utility extension along FM 2920, west of Kuykendahl Road; (b) Pay Estimate No. 5 (revised) in the amount of \$35,426.73, Pay Estimate No. 6 in the amount of \$37,048.45 and Change Order No. 4 in the amount of \$3,850.00 to SLC Construction, LP ("SLC") for construction of water, sewer and drainage facilities to serve Gosling Pines, Section 1; (c) Pay Estimate No. 4 in the amount of \$22,053.60 to Excalibur Construction, Ltd. for the clearing and grubbing of and detention basin in Senterra Lakes; (d) Pay Estimate No. 6 in the amount of \$19,025.53 to South Texas Utilities, LLC for construction of water, sewer and drainage facilities to serve Springbrook, Section 3; (e) Pay Estimate No. 9 in the amount of \$10,206.00, Pay Estimate No. 10 in the amount of \$4,559.63 and Change Order No. 6 for clarification of previous Change Orders Nos. 2, 3, 4 and 5 to Cravens Partners, Ltd. For construction of the lift station and offsite utilities to serve Spring

Terrace; (f) Change Order No. 2 in the amount of \$16,335.00 and Change Order No. 3 in the amount of \$20,900.00 to Big State Excavation, Inc. for construction of water, sanitary sewer and drainage facilities to serve Spring Terrace, Section 1; and (g) Pay Estimate No. 5 in the amount of \$18,028.29 to SLC for construction of water, sanitary sewer and drainage facilities to serve Spring Terrace, Section 2; and 8) Developer Reports.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of October, a copy of which is attached hereto. Ms. Hall reported that 97.9% of the District's 2003 taxes have been collected to date. Ms. Hall added that a small amount of the District's 2004 taxes are beginning to be received.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

Mr. Haaland, Mr. Walkoviak and Mr. Vogt then entered the meeting at 6:15 p.m.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. No action was required on such Report.

REQUEST FOR ANNEXATION AND SERVICE TO 10.6561-ACRE TRACT OF LAND

Mr. Vogt then addressed the Board and made a request on behalf of Mr. Don Sanberg, owner of a 10.6561-acre tract of land, for the annexation and service to such tract. Mr. Vogt stated that the land was located on the south side of FM 2920 and east of Gosling Road and west of Rhodes Road. Mr. Peterson noted that the tract was adjacent to the 10.56-acre Adkisson tract discussed at the Board's October 19th meeting. Mr. Peterson stated that while the District has adequate sanitary sewage treatment capacity to serve the tract, there is not adequate sanitary sewer line capacity to serve the tract. Mr. Peterson noted that the owner/developer would need to proceed in the same manner as the owner of the Adkisson tract to annex the land into the District, connect to the District's water system and install an aerobic septic tank on the tract until such time that sanitary sewer line capacity is available to provide service to the tract. Mr. Peterson added that the flow of interim sewer capacity should be limited to 25,000 gallons per day ("gpd") for the tract. Ms. Dold reported that she had received an application and a \$3,000 feasibility deposit from Mr. Sanberg.

Mr. West then entered the meeting at 6:25 p.m.

Mr. Peterson stated that the District was currently utilizing 55% of the District's sewage treatment plant (the "STP") capacity. Mr. Shackelford added that it is now time to begin planning for the expansion of the STP.

Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with preparation of a feasibility study for the 10.6561-acre tract.

Mr. Vogt and Mr. Ewing then exited the meeting at 6:28 p.m.

BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations and/or feasibility studies.

Ms. Jarmon then reported that check no. 7872 to the Texas Commission on Environmental Quality (the "TCEQ") in the amount of \$5,010 is the District's consolidated water quality fee estimate for 2005. Ms. Jarmon also noted that check nos. 7883 and 7884 were payments to property owners in connection with the acquisition of the Bucchino drainage easement, such checks to be held by Ms. Bobbitt's office until all of the negotiations with Mr. Bucchino are completed. In addition, Ms. Jarmon stated that she was writing check no. 7908 and check no. 7909 at tonight's meeting, both in the amount of \$425 and payable to the City of Houston (the "City") for the annexation applications for the Shipley's tract and Moparty tract.

Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and the payment of the checks reflected therein.

DIRECTOR'S REPORT

Director Thomas reported that he had inspected the District's facilities with Mr. Almaguer on November 12, 2004 and provided a report on such inspection, a copy of which is attached hereto.

Ms. Pat Hall then entered the meeting at 6:35 p.m.

Director Thomas first reported that he had observed numerous ant mounds at all of the District's facilities. Mr. Conner stated that he would obtain cost estimates for extermination of the ants.

Director Thomas then reviewed inspection items at the STP and asked about the status of repainting the blower building at the STP. Mr. Conner stated that the STP would require expansion within the next three (3) years and recommended that the building and gates be repainted in order to last until the next expansion. Mr. Conner stated that he would obtain cost estimates for such painting. Director Thomas then reported that an area around the steps leading up to the aeration unit is washed out and the handrails on the aeration unit are loose. Director Thomas also reported that a joint expansion is missing on the back of the aeration unit and

portions of the sidewalk are uneven. Director Thomas noted that the grey water valves need to be locked.

Concerning Lift Station No. 1, Director Thomas reported that the electrical panel needs a padlock, several areas of the sidewalk need to be resurfaced to obscure profanity and the generators still need painting. Mr. Conner explained that the generators are galvanized metal and should not have been painted. Mr. Conner recommended that the paint be hydro-blasted off of the generators.

Director Marks then entered the meeting at 6:45 p.m.

Director Thomas next reported that the generators at Lift Station No. 2 also need painting. Mr. Conner responded that the existing paint could be stripped off and that the generators still need to be repainted. Director Thomas asked why there is not a wooden gate at this facility. Director Steffes noted that Mike Curran, a previous operator for the District, felt that a cyclone gate provided better security and allowed visibility into the site. Director Thomas further reported that the grates need to be tightened and locked, and that the driveway near the gate entrance needs shoring up.

Director Thomas reported that all was well at Lift Station No. 3.

Concerning Lift Station No. 4, Director Thomas reported that a mud hole exists near the detention pond pumps due to an overflow of the pump pit. A discussion ensued regarding the future operation and maintenance of the detention pond and the pump station. Mr. Shackelford stated that Jones & Carter is working on such matter and will further review the problem.

Director Thomas next reported that a portion of the temporary construction fencing was down at Lift Station No. 5, and expressed concern that the facility was left open. Director Thomas suggested that in the future, contractors be required to install temporary chain link fencing during the construction period. Mr. Peterson noted that the contractor installed chain link fence today to secure the site.

Concerning Water Plant No. 1, Director Thomas reported that a sample faucet needs to be locked and that the generators still need to be repainted.

Director Thomas further reported that at Water Plant No. 2, there is a Houston Lighting & Power ("HL&P") tie down without a guy wire outside the fence that needs to be addressed by HL&P. Director Thomas added that there is a chip in the tank paint, that the generator still needs painting, and that there is standing water behind groundwater storage tank ("GST") no. 1. Director Thomas added that the patch on GST no. 2 that was done under warranty looks bad and needs to be corrected.

Director Thomas next reported that Water Plant No. 3 was in good condition, but thought that the paint on the building looks pink and suggested that in the future, the District select a paint color that conforms to the subdivision deed restrictions.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

Director Warren then asked if Jones & Carter had checked whether there was any structural problem with the connection to the GST at Water Plant No. 2. Mr. Shackelford reported that the GST had been inspected and found to be fine and noted that the cracked area at the connection was cosmetic grout and not a structural issue. A copy of a drawing of the GST and the area in question is attached hereto.

REVIEW FEASIBILITY STUDY FOR SERVICE FOR 2-ACRE TRACT OF LAND WITHIN THE BOUNDARIES OF THE DISTRICT

Mr. Peterson then distributed copies of the feasibility study prepared for Mr. Alex Nguyen's 2-acre commercial tract of land, located within the boundaries of the District, on the south side FM 2920, approximately 900 feet west of Bridgestone Lane, a copy of which is attached hereto. Mr. Peterson noted that the proposed car wash project has a water capacity requirement of 6,000 gpd average daily flow and stated that there is a proposed 12-inch water line along the southern right-of-way ("ROW") of FM 2920 that can provide water service to the tract. Mr. Peterson noted that the District has adequate water capacity and that the owner/developer would be responsible for the tap fee to connect to the District's system. Concerning sanitary sewage capacity, Mr. Peterson stated that the District has adequate capacity, and that the project would require an estimated capacity of 5,000 gpd, and noted that there is an existing 15-inch sanitary sewer line along the western boundary of the tract of land that could provide service to the tract. Mr. Peterson also noted that sanitary sewer service to the tract would be considered private and, therefore, would not be eligible for reimbursement by the District. Mr. Peterson added that since the development is considered private, the owner/developer would also be responsible for drainage outfall and any detention requirements for the tract.

Concerning the financial feasibility of the 2-acre tract, Mr. Peterson estimated a valuation of \$2,000,000 and stated that there were no reimbursable costs to the District. Director Steffes inquired whether the car wash would install a water recycling system. Mr. Peterson stated that the owner/developer stated that there would be a water recycling system at the facility. Mr. Peterson added that Jones & Carter will need to review the plans for drainage of the tract.

Upon motion by Director Marks, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the request for service to the 2-acre tract of land.

REVIEW FEASIBILITY STUDY FOR SERVICE FOR 9.155-ACRE TRACT OF LAND

Mr. Peterson then distributed copies of the feasibility study, a copy of which is attached hereto, prepared for the Realtex Ventures, Inc. ("Realtex") 9.155-acre commercial tract of land, within the boundaries of the District, located on the north side FM 2920, west of Rhodes Road. Mr. Peterson noted that the proposed day care center project has a water capacity requirement of 27,500 gpd average daily flow, and stated that there is a proposed 12-inch water line along the

southern ROW of FM 2920 and along the eastern ROW of Rhodes Road that can provide water service to the tract. Mr. Peterson stated that an eight-inch water line would need to be extended from the existing 12-inch water line along the eastern ROW of Rhodes Road, continue westward to the western edge of the tract and then extend south across FM 2920 to be tied into the existing 12-inch water line along the southern ROW of FM 2920 at an estimated cost of \$85,000 (including 10% contingencies and 15% engineering). Mr. Peterson noted that the District has adequate water capacity to provide service to the tract.

Concerning sanitary sewer capacity, Mr. Peterson stated that the District has adequate sanitary sewer capacity for the tract, and that the project would require an estimated capacity of 23,000 gpd. Mr. Peterson offered two (2) options to provide sanitary sewer service to the tract, including Option 1 in which an on-site grinder pump lift station would be installed, and the wastewater pumped into an existing sanitary sewer manhole located at the southeastern corner of the Shell gas station tract and continue to flow through the District's existing gravity sanitary sewer system and into the STP. Mr. Peterson noted that the estimated cost for providing service in this manner would be \$50,000 (including 10% contingencies and 15% engineering) and would not be reimbursable to the owner/developer. Mr. Peterson went on to explain that Option 2 calls for an eight-inch gravity sanitary sewer to be constructed from the tract across Rhodes Road and continue across the existing Conoco gas station tract and the Rhodes Crossing parking lot and terminate in the manhole in the parking lot of the southeast corner of the Rhodes Crossing parking lot. Mr. Peterson stated that the estimated cost for installing the 500 feet of sanitary sewer line needed to provide service is \$105,000 (including 10% contingencies and 15% engineering) and would be eligible for reimbursement by the District. Mr. Peterson noted that the owner would need to provide several easements to the District for the necessary line extensions. Mr. Peterson then stated that the development is considered "private" and, therefore, the developer would be responsible for the detention and drainage outfall requirements for the tract.

Mr. Peterson then estimated that the development would add a value of \$7,324,000 to the District and noted that the development would support itself, and the District would gain additional annual revenue of \$50,000 in excess of the annual debt service associated with the tract.

Mr. Cullins and Mr. Quinn then exited the meeting at 7:20 p.m.

Director Marks inquired if this project would have problems similar to the Albertson's tract with regard to the private detention facility. Mr. Shackelford stated that Jones & Carter would be sure not to locate the District's lines near the detention pond facility, if such a facility is required. Director Steffes suggested that certain language regarding the maintenance of the detention facility be included in the Agreement for Financing of Facilities to serve the 9.155-acre tract. Ms. Bobbitt agreed that such language could be included in such Agreement. Mr. Shackelford and Mr. Conner recommended that the Board approve Option 2 in the feasibility study for providing sanitary sewer service to the tract.

Upon motion by Director Thomas, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the request for

service to the 9.155-acre tract and to approve Option 2 for the provision of sanitary sewer service and to approve the feasibility study.

Mr. Walkoviak then exited the meeting at 7:30 p.m.

REVIEW FEASIBILITY STUDY REQUEST FOR SERVICE/ANNEXATION FOR 5.0967-ACRE TRACT OF LAND

Mr. Peterson then reviewed the feasibility study prepared for Mr. Jim West, on behalf of Field Companies, for service to and annexation of a 5.0967-acre commercial tract of land located on the northeast corner of Kuykendahl Road and Rhodes Road. Mr. Peterson went on to explain that Field Companies presently has the 5.0967-acre tract under contract with Mr. Peter Terpstra. Mr. Peterson added that a portion of the 5.0967-acre tract was previously annexed into the District in 2003, and that Mr. West is seeking annexation of approximately 0.5-acre of the remainder of such tract. Mr. Peterson noted that the proposed project has a water capacity requirement of 15,300 gpd average daily flow and stated that there is an existing 12-inch water line along the western ROW of Kuykendahl Road that would need to be extended to the northern boundary of the tract of land along the western ROW of Rhodes Road to provide water service to the tract. Mr. Peterson estimated the cost of such line would be \$65,000 (including 10% contingencies and 15% engineering), and that such line cost would be eligible for District reimbursement.

Sergeant Blankenship then entered the meeting at 7:34 p.m.

Concerning sanitary sewer service, Mr. Peterson explained that the tract would require a grinder-pump lift station and force main that would run west approximately 200 feet along the southern ROW of Rhodes Road into the Senterra Lakes sanitary sewer system. Mr. Peterson further noted that the installation and cost of the grinder-pump lift station and force main would be the responsibility of the owner/developer and would not be a reimbursable item. Mr. Peterson also reported that such facilities would be private, and it would also be the developer's responsibility to determine the drainage outfall and any detention requirements for the tract of land, including maintenance of any such facilities. Director Marks then asked whether the District could arrange for the maintenance of the detention facility and charge the homeowners association for such costs. Mr. Conner stated that it takes specialized equipment to maintain detention facilities, and that the District is not currently set up to do its own maintenance work. Director Marks then asked what would prevent tenants of the development from dumping inappropriate substances into the District's sanitary sewer system. Mr. Peterson explained that each of the tenants would have separate sampling wells, grease traps and water connections. Mr. Shackelford added that a separate private plumbing system would be required as well. Director Thomas asked how this tract differed from the Realtex tract. Mr. Shackelford explained that the feasibility study for the 9.155-acre tract was approved by the Board with a gravity sanitary sewer system, which is not an option for the tract currently under discussion. Mr. Shackelford stated that the District's master plan could include a sanitary sewer trunkline up Seals Gully that would eventually solve the problem and do away with the need for grinder-pump lift stations. Director Marks noted that in the past, the District had participated in the cost of upsizing an eight-inch line to a 12-inch line to accommodate future development. Mr. Peterson concurred that in some cases, it is in the District's best interest to upsize a line to

accommodate future anticipated development. A discussion then ensued regarding future capacity needs for surface water distribution and for an additional lift station.

Mr. Peterson concluded his review of the feasibility study by stating that the assessed valuation of the proposed development is \$4,100,000 and that the development would support itself. Mr. Conner recommended that additional language be included in the Agreement for Financing of Facilities to serve this tract regarding abandonment of the grinder-pump lift station once a sewer trunkline is extended and available to serve the tract.

Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the feasibility study and service/annexation request and to authorize Ms. Bobbitt to proceed with the annexation process for the 0.5-acre tract.

AGREEMENT FOR FINANCING OF FACILITIES TO SERVE NORTHCREST VILLAGE AND ASSIGNMENT OF RIGHTS TO WOODFOREST NATIONAL BANK

Ms. Bobbitt next presented the Agreement for Financing of Facilities between the District and Northcrest 2920, L.P. (the "Agreement") for approval and execution by the Board, a copy of which is attached hereto.

Ms. Bobbitt also presented an Assignment of Contract Rights By and Between Northcrest 2920, L.P. to Woodforest National Bank. (the "Assignment") for the Board's acknowledgment and execution, a copy of which is attached hereto.

Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement and the Assignment.

ASSIGNMENT OF AGREEMENT FOR FINANCING OF FACILITIES TO SERVE BRIDGESTONE LAKES, SECTION 4

Ms. Bobbitt then presented an Assignment of the Agreement for Financing of Facilities to serve Bridgestone Lakes, Section 4 (25.244 acres) from Bridgestone Lakes Development Company, Inc. to First Continental Investment Co., Ltd. for the Board's approval and acknowledgement, a copy of which is attached hereto. Upon motion by Director Marks, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Assignment and authorize execution of the acknowledgement.

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF DETENTION POND AGREEMENT WITH RHODES LANDING HOMEOWNER ASSOCIATION, INC. (THE "RHODES LANDING HOA") FOR MAINTENANCE OF RHODES LANDING DETENTION POND

Director Marks asked that such item be deferred to later in the meeting.

Mr. West and Mr. Yarbrough then exited the meeting at 7:55 p.m.

REVIEW AND APPROVE WATER SUPPLY AND WASTEWATER SERVICES AGREEMENT WITH KLEIN UNITED METHODIST CHURCH ("KUMC")

Ms. Bobbitt reported that the water line and sanitary sewer line easements from KUMC to the District had been executed, and that the Water Supply and Wastewater Services Agreement (the "Agreement") by and between the District and KUMC had been prepared. Ms. Bobbitt asked the Board to approve such Agreement, subject to receipt of final comments and/or revisions from Mr. Shackelford and Mr. Conner. Ms. Bobbitt stated that the Agreement includes the terms previously presented by Mr. Shackelford and approved by the Board. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement, subject to final review and comment by Mr. Shackelford and Mr. Conner. A copy of the Agreement is attached hereto.

CONSTABLE'S REPORT AND RENEWAL OF LAW ENFORCEMENT AGREEMENT

The Board next recognized Sergeant Blankenship, who reviewed the monthly security report, a copy of which is attached hereto.

Sergeant Blankenship then reviewed a map of the North Central District of Harris County Precinct 4 (the "North Central District"), a copy of which is attached to the Constable's Report. Sergeant Blankenship noted that 20 deputies currently patrol the North Central District, a great deal of which is located within the District's boundaries and discussed whether there was a need for additional security coverage within the District. Sergeant Blankenship noted that a Corporal was going to be assigned to patrol the District and noted that Precinct 4 did not charge an additional cost for an officer of that rank. Sergeant Blankenship then briefly discussed the possibility of the surrounding districts/subdivisions sharing deputies and security patrols. Director Marks commented that he did not think the level of security within the District was worth the money that it costs the District to provide such services. Director Thomas stated that security was a must within the District in light of all the development activity, but he is hesitant to approve a 50/50 cost share with another district at this time. Sergeant Blankenship noted that Precinct 4 has not previously had a cost sharing arrangement between districts.

Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the renewal of the Law Enforcement Agreement with Precinct 4, approve the addition of another constable to patrol the District as of January 1, 2005, and to wait until later in 2005 to determine if an additional constable is needed.

Ms. Jarmon noted that she would increase the amount budgeted for security services in her proposed budget for the fiscal year ending December 31, 2005.

Sergeant Blankenship next discussed the theft of an estimated 2,200 gallons of water last month by B&R Water Well Drilling, Inc. ("B&R"). Director Warren commented that he thought the Board was going to have special meeting to discuss policies and procedures for water theft in the District. Ms. Bobbitt stated that it was her understanding that the matter was to be discussed at a future meeting, but also noted that the District's Rate Order already gives the Board the

authority to invoice offenders for the water they steal and to assess a penalty of up to \$5,000 per day. Mr. Conner stated that the District had previously charged another offender for the cost of the water stolen and assessed a \$500 penalty. Director Thomas made a motion that the Board bill B&R for the cost of 2,200 gallons of water, plus a penalty of \$500. Director Warren stated that he disagreed and wanted to levy a \$2,000 penalty. The motion died for lack of a second. Further discussion then ensued. Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Warren voting in opposition, to authorize Mr. Conner to invoice B&R for the cost of 2,200 gallons of water, plus a fine of \$1,000. Ms. Sears stated that she would prepare an invoice for such costs and forward it to Mr. Conner and Ms. Bobbitt.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:40 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071, Texas Government Code, as amended, to consult with the District's attorney. Everyone then exited the meeting with the exception of the Board members, Mr. Conner, Ms. Bobbitt and Ms. Dold, who attended the executive session.

Director Thomas then exited the meeting at 9:00 p.m.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:10 p.m. Messrs. Shackelford, Peterson, Almaguer, Cornelius and Hudson, Ms. Sears and Ms. Jarmon re-entered the meeting.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of October with the Board, including the delinquent account list, copies of which are attached hereto. Ms. Sears reported that the District's water accountability ratio for the month was 92.3%, with a four (4) month average of 92%, and that there were ten (10) sludge hauls during the month. Ms. Sears added that there are currently 2,988 connections in the District, including 229 builder accounts and 48 vacancies. Ms. Sears noted that Wal-Mart had paid for their usage of 2 million gallons of water last month and reported that their water consumption had decreased significantly during the current month.

Ms. Sears then reviewed a summary of Enhanced Payment Services, a copy of which is attached hereto, with the Board and explained that the bill payment options program is a joint effort between Texas State Bank and Aqua Services. Ms. Sears noted that the District would be responsible for a one (1) time set-up fee of \$100, if the Board desires to participate in the program, and that the transaction costs for making payments via phone, credit card, on-line, automatic withdrawals or at major grocery stores would be charged directly to the District's customers. Ms. Sears added that the new payment options would be available to customers in early 2005. Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the

District's participation in the bill payment option service. The Board directed Ms. Sears to arrange for a message regarding the payment options on the District's water/sewer billing statements prior to the implementation of the program and to send out a separate flyer to the residents concerning the payment option program. Ms. Sears stated she would bring a draft of the flyer to the meeting when the Resolution for Electronic Payment Services is adopted by the Board.

Director Schkade then asked several questions regarding the Aqua Services invoice to the District. Director Schkade asked why the District had been charged \$32 to change a light bulb at the STP. Mr. Almaguer explained that a service company must be called to perform the task if there is not an adequate ladder at the facility. Director Schkade then asked about a leak on the two (2) inch meter at the Bridgestone pool. Mr. Almaguer explained that such repair had to be contracted out by Aqua Services. Director Schkade also stated that the contractor responsible for cutting the phone lines at the STP should be backcharged for such damages. Mr. Almaguer responded that the contractor would be billed for such damage. Director Warren noted that Director Thomas had two (2) questions concerning the charges for Aqua Services to check on two (2) water line leaks. Ms. Sears stated that Aqua Services does not typically charge the District during regular working hours for checking leaks, but does charge for time if the work is performed after working hours.

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to authorize the termination of service to the delinquent accounts.

AQUA SERVICES SERVICE AGREEMENT AMENDMENT

Ms. Sears then submitted a Second Amendment to Attachment "A" (Basic Services) to the District's Operating Agreement with Aqua Services for the Board's approval regarding the assignment of David Bailey (Assigned Operator) to operate the District's Facilities, on Monday through Friday between the hours of 7:30 a.m. to 4:30 p.m., under the direct supervision of Mr. Almaguer. A copy of the amendment is attached hereto.

ENGINEER'S REPORT

The Board next recognized Mr. Peterson, who began his review of the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Shackelford reported on the status of the North Harris County Regional Water Authority (the "NHCRWA") 2010 Water Distribution and Transmission System - Phase 1 Groundwater Transfer Projects (the "GTP"). Mr. Shackelford reported that Jones & Carter had received a preliminary set of construction plans for the NHCRWA's Project 7B that is projected to be constructed by the Fall of 2005. Mr. Shackelford noted that he is having discussions regarding the NHCRWA transmission line connection point in the District. Mr. Shackelford stated that to date, the TCEQ has not recognized the NHCRWA as an entity with authority to supply water (similar to the TCEQ's recognition of the City as a water supplier) and was uncertain as to how the TCEQ would handle the District's elevated storage tank variance in light of the surface water issues. Mr. Shackelford noted that an elevated storage tank would be

incompatible with the pressurized delivery system planned by the NHCRWA, and that he is also discussing this issue with the NHCRWA. Mr. Shackelford also reported that the District would realize a savings of approximately \$1.6 million if they did not have to build an elevated storage tank in the future.

Director Warren then asked about the status of the NHCRWA's construction program. Ms. Bobbitt reported that the NHCRWA currently has six (6) GTP water line construction projects underway. Director Schkade asked how many districts would be converted to surface water. Mr. Shackelford responded that by 2010, the NHCRWA's service area for conversion is around the FM 1960 area.

Concerning the Rhodes Landing detention pond, Mr. Peterson reported that the check valves and the manual transfer switch have been installed and all items on the detention facility are now complete. Mr. Peterson added that he and Mr. Shackelford, along with Mr. Conner and Ms. Bobbitt, had recently met with Mr. Cornelius of Sowell to discuss the implementation of the maintenance agreement with the Rhodes Landing HOA for the detention pond. Mr. Peterson noted that Mr. Conner had also obtained bids for the maintenance of the Rhodes Landing detention pond.

Mr. Peterson next reported that the contractor has completed the re-grading of the Ditch "C" interceptor swales, that the as-built survey has been completed, and that Jones & Carter is preparing the as-built plans to submit to the Harris County Flood Control District within the next three (3) or four (4) weeks.

Mr. Peterson then reported that the clearing and grubbing cost estimate for Springbrook, Section 4 was in excess of \$25,000 and, therefore, would need to be advertised for bids. Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize advertising for bids for the clearing and grubbing of Springbrook, Section 4.

Mr. Peterson then reported that the construction of the 12-inch water line extension to serve Bridgestone Lakes, Section 4 needed to cross under a Copano Pipelines/Upper Gulf Coast, L.P. ("Copano") gas pipeline easement, and an agreement with Copano would be required by the City in order to obtain City approval of the construction plans. Ms. Bobbitt noted that she had not yet reviewed the proposed agreement. Mr. Peterson stated that he needed to contact Copano to see if they were going to require the District to pay a \$1,000 fee for review of the District's construction plans. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Copano agreement, subject to final review of same by Ms. Bobbitt.

Mr. Peterson next noted that a summary of project timelines was attached to the Engineer's Report. Concerning bids for the construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4 and the clearing and grubbing for Villages of Senterra Lakes, Section 1, Mr. Peterson reported that the projects were advertised for bids before all requested corrections to the plans had been made. Mr. Peterson explained that Jones & Carter had requested certain corrections to the construction plans, and that not all of the corrections were made prior to the advertising of the bids, which bids are scheduled to be opened one (1)

week from today. Mr. Peterson added that he, Mr. Shackelford, Mr. Conner and Ms. Bobbitt had discussed how to proceed with such matter. Mr. Shackelford then recommended that the developer be required to amend the bid specifications and publish an extension of two (2) weeks for the bidding period in order to receive bids on December 7, 2004, for both projects, which will still allow the bid tabulations to be presented to the Board at the District's December 21, 2004 meeting.

The Board then recognized Mr. Hudson, who explained that there had been some confusion between his engineer and Jones & Carter concerning who would arrange for the publishing of the advertisement for bids, and that Mr. Baldwin of Provident Engineering had published the advertisement for bids. Mr. Hudson acknowledged the deficiencies in the plans and noted that the hard copy of the construction plans given to Jones & Carter was different from the electronic copy of the construction plans. Mr. Hudson stated that it is his understanding that the addendum to the plans and the extension of the advertising period would still allow him to award constructions contracts for the projects in time for the District's December meeting.

Director Steffes then asked how, after as many meetings as Mr. Hudson has attended, were the projects not bid by Jones & Carter. Mr. Hudson stated that Mr. Baldwin did not think it would make a difference if he advertised for the projects. Director Steffes stated that he and the Board were frustrated with Mr. Hudson's failure to follow the District's development policies and procedures. Mr. Shackelford noted that the Jones & Carter correspondence to Mr. Baldwin stated that bidding of projects were to be done through Jones & Carter. Director Schkade asked if the District's Policies and Procedures for Development had been implemented. Ms. Bobbitt stated that the Board adopted them at a special meeting in May, but that revisions and additions continue to be made.

Mr. Conner then recommended that the Board accept Jones & Carter's recommendation concerning the bids for Mr. Hudson's projects. Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to require, with regard to the bidding process for water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4 and the clearing and grubbing for Villages of Senterra Lakes, that an addendum be prepared for bidders, that the publishing of the advertisement for bids be extended by two (2) weeks and that any costs incurred by Jones & Carter, Ms. Bobbitt and the General Manager in connection with such matter be sent directly to Mr. Hudson for payment. Mr. Conner then reiterated that the bid documents for such projects need to be corrected as specified by Jones & Carter. Director Steffes stated that Mr. Hudson should contact Mr. Conner immediately regarding any problems or questions concerning his various projects in the District.

Mr. Hudson stated that he did not have a problem with the Board's decision, but wished that someone had called him prior to the meeting concerning the bidding problems. Mr. Hudson then requested a copy of the May minutes concerning the adoption of the Policies and Procedures for Development.

Mr. Hudson then exited the meeting a 10:40 p.m.

RHODES LANDING DETENTION POND MAINTENANCE MATTER

A discussion then ensued regarding the Rhodes Landing detention pond maintenance matter. Director Marks stated that the Board had previously been given certain cost information regarding the operation and maintenance costs for detention ponds by Pat Hogan of Jones & Carter. Ms. Bobbitt explained that the Board initially discussed retaining/deducting funds from developer reimbursements for the operation and maintenance of detention ponds in 2000 in connection with Mr. Ramsey's proposed development, a predecessor to the current developer of Rhodes Landing. Ms. Bobbitt explained that in July, 2002, Jones & Carter prepared an estimate of operation and maintenance costs reflecting an amount of \$185,000 and used the Rhodes Landing project as a model for the projected costs. Ms. Bobbitt noted that Mr. Conner had obtained bids for maintenance of the Rhodes Landing detention pond and that Ms. Powell, attorney for Sowell, had prepared a proposed Detention Pond Maintenance Agreement by and between the District and the Rhodes Landing HOA. Ms. Bobbitt stated that the deduction of funds from the reimbursables to Sowell for the Rhodes Landing detention pond was not a condition of the Agreement for Financing of Facilities with Sowell (the "Agreement"), and that discussion of such maintenance cost deduction occurred after the Agreement was approved and executed by the Board. Director Marks stated that the Board did not want homeowner associations to control the maintenance of District detention ponds. Ms. Bobbitt stated that this was discussed by the Board and noted that the proposed Detention Pond Maintenance Agreement had been structured for the District to perform the maintenance work by a contractor, with the Rhodes Landing HOA paying the District an annual amount of \$8,500 for such maintenance costs. Director Marks stated that the annual maintenance amount did not address the wear and tear on the detention pond pumps, electrical costs and replacement of the pumps. Ms. Bobbitt noted that the annual maintenance fee in Rhodes Landing had been set for \$350 for 2005, and that the residents will take control of the Rhodes Landing HOA on or about December 17, 2004, which is before the District's December 21st meeting and, therefore, the matter needs to be resolved prior to December 17th.

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Detention Pond Maintenance Agreement with the Rhodes Landing HOA, a draft of which is attached hereto. Ms. Bobbitt requested that the Board submit any further comments or revisions to the Detention Pond Maintenance Agreement to her or Mr. Conner by Friday, November 19th. Ms. Bobbitt stated that the Detention Pond Maintenance Agreement would then be revised and prepared for execution.

Ms. Bobbitt then reminded the Board that approval of the reimbursement to Sowell for the detention pond had not yet been given. Director Marks stated that he was not in favor of authorizing reimbursement at this meeting and noted that he wanted contact Mr. Brad Dill, a former Board member, to see if his memory regarding the detention pond maintenance issue is the same as his. Director Warren stated that he remembered being upset with Sowell when they changed the size and number of lots to be developed in Rhodes Landing.

Director Warren then reported that the Bridgeview Shopping Center located on Kuykendahl Road was not being maintained or mowed. Mr. Shackelford stated that he would contact Mr. Bob Bueker about the matter.

GENERAL MANAGER'S REPORT

Mr. Conner then presented his General Manager's Report, previously distributed to the Board, a copy of which is attached hereto. Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that an agreement had been reached with Mr. Bucchino to provide a drainage easement to the District and stated that she and the engineers were working on the final details of obtaining such easement.

MISCELLANEOUS MATTERS

Mr. Conner then introduced Messrs. Flack and Triche from Champions, who made a brief presentation to the Board. Mr. Conner noted that Champions was the contractor working on the cleanout of Ditch "C". A copy of a brochure and information about Champions is attached hereto.

Director Steffes asked if the Board was going to take any action on the reimbursement to Sowell for the detention pond. Director Marks stated that he wanted to talk with Mr. Dill before any action was taken. Director Steffes stated that the District should not to unfairly withhold the funds that are due to Sowell.

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, December 21, 2004, at 6:00 p.m. at the Bridgestone Community Center.

There being no further business to come before the Board, the meeting was adjourned at 11:08 p.m.

PASSED, APPROVED AND ADOPTED this 18th day of January, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)