

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.

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. Director Steffes stated that the minutes of the special meeting on October 4, 2005 and the regular meeting of November 15, 2005 and the developer reports have been removed from the Consent Agenda.

Upon motion by Director Schkade, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the following pay estimates: a) Pay Estimate No. 4 and Final in the amount of \$9,575.00 to SLC Construction, L.P. for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 2; b) Pay Estimate No. 3 (Revised) in the amount of \$62,136.08 to Triple B Services, LLP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; c) Pay Estimate No. 1 in the amount of \$91,948.38 to Pace Services, L.P. for construction of the water, sewer and drainage facilities to serve Senterra Lakes, Section 1; d) Pay Estimate No. 1 in the amount of \$682,469.91, Pay Estimate No. 2 in the amount of \$10,957.54 and Change Orders No. 1 and No. 2 in the amount of \$10,315.00 to Clearwater Utilities, Inc. for construction of the water, sewer and drainage facilities to serve Spring Terrace, Section 5; e) Change Order No. 4 in the amount of \$3,899.65 to Cedar Ridge Excavation, Ltd. for construction of the detention pond to serve Spring Terrace; f) Pay Estimate No. 7 in the amount of \$1,800.00 to Lecon, Inc. for construction of the detention pond improvements to serve the Villages of Senterra Lakes, Section 1; and g) Pay Estimate No. 1 in the amount of \$251,791.56 to Kenneth Lamb Construction Co., Ltd. for construction of the water, sewer and drainage facilities to serve the Villages of Senterra Lakes, Section 1; 2) authorize execution of a) waterline easement for Senterra Lakes; b) General Warranty Deed for Bella Sera Detention Pond; c) General Warranty Deed for Spring Terrace Detention Pond; and d) General Warranty Deed for Springbrook Detention Pond; and 3) ratify the authorization of execution of the storm water quality permit application for the Spring Terrace detention pond at the special December 12, 2005 meeting.

REGULAR AGENDA

DISCUSS UPCOMING DIRECTORS ELECTION SCHEDULED FOR MAY 13, 2006

Next, Ms. Bobbitt reported that the Directors Election to fill the Directors' positions expiring in May 2006 would be held on Saturday, May 13, 2006, and noted that Director Steffes and Director Warren were up for re-election. Ms. Bobbitt stated that the District will be required to have direct recording electronic voting systems ("DREs") at the early voting polling place and also at the election day polling place. Ms. Bobbitt stated that Harris County (the "County") will provide rental DREs to utility districts having elections. Ms. Bobbitt noted that the County Elections Department will be hosting a meeting early in January to discuss the effects of recent

State legislation and the Federal Help America Vote Act on the upcoming elections in May. The Board then discussed potential polling places for the Directors Election. It was noted that the polling place for both early voting and election day voting for the 2004 Directors Election was at the Bridgestone Community Center. Director Warren suggested that the Board might want to change the election day polling place back to Roth Elementary School. Ms. Bobbitt also suggested that the Board start considering who might be available to serve as election officials for the election. Ms. Bobbitt went on to explain that she will have additional information regarding the election at the January Board meeting.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of November, a copy of which is attached hereto. Ms. Hall reported that 97.2% of the District's 2004 taxes and 0.2% of the District's 2005 taxes have been collected as of today's date. Ms. Hall also reported that she had corrected and returned the District's tax roll to the Harris County Appraisal District (the "HCAD") for revisions.

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 Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

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. Ms. Hall noted that no action was required by the Board on the Delinquent Tax Attorney's Report at this time.

Ms. Bobbitt reported that she and Mr. George Bobbitt had met with HCAD representatives on December 2, 2005 to discuss the matter of the HCAD tax roll, including the Boswell tract, on the District's tax roll when the tract is not within the boundaries of its District. Ms. Bobbitt added that she had also discussed other tax roll problems with the HCAD representatives. Ms. Bobbitt stated that her office will be providing information to the HCAD on all of the District's annexations since 2003 in order for the HCAD to review and correct their tax rolls, as necessary.

Mr. Jamie Cornelius then entered the meeting at 6:20 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 stated that Republic had again invoiced the District for the \$0.75 per connection surcharge for collection of Hurricane Rita storm debris, which had previously been waived by Mr. Smith. Ms. Jarmon noted that the surcharge had been deleted from check no. 8739 being presented tonight in the amount of \$32,000.92 to Republic. Mr. Smith stated that

the charge would be removed from the District's invoice by next month. Ms. Jarmon further reported the addition of several checks to tonight's report.

Ms. Hall, Mr. Montgomery, Mr. Warner and Mr. Raines then exited the meeting at 6:35 p.m.

Ms. Jarmon next reviewed the District's proposed budget for the fiscal year ending December 31, 2006, a copy of which is attached to the Bookkeeper's Report. Ms. Jarmon recommended that the Board review the budget in six (6) months in order to make any necessary revisions or adjustments.

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 Bookkeeper's Report, the investment report and the payment of the checks reflected therein and to adopt the budget for the fiscal year ending December 31, 2006.

DIRECTOR'S REPORT

Director Steffes then reported that he had inspected the District's facilities last week with Mr. Almaguer. Director Steffes first reported that the construction silt fences for all of the development projects in the District need to be maintained and also stated that Ditch "A" was very messy and needs to be cleaned and maintained. Mr. Conner noted that Water Plant No. 3 is back online.

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.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of November with the Board, including the termination list, copies of which are attached hereto. Ms. Sears first reported that the District's four (4) month water accountability ratio was 91.3%, and that there were nine (9) sludge hauls during the prior month. Ms. Sears added that there are currently 3,527 connections in the District, including 2,909 residential accounts, 340 builder accounts and 100 vacancies.

Ms. Sears reported that Water Plant No. 3 was online again and that the insurance claim for the damage had been submitted to the District's insurance carrier.

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 Operator's Report and to authorize the termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order.

AUTHORIZE DISTRICT SPONSORSHIP OF EDUCATIONAL MATERIALS FOR WATER CONSERVATION EDUCATION PROGRAM

Ms. Bobbitt then explained that at the November meeting, Director Thomas had recommended that the Board authorize the purchase of the **Journey to Pansophigus** classroom kits (\$200 per kit) for use in each of the fifth (5th) and sixth (6th) grade classes in the two (2) schools located within the District, but that such matter was not on the agenda for such meeting. 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 authorize the purchase of the **Journey to Pansophigus** classroom kits for use in each of the fifth (5th) and sixth (6th) grade classes in the two (2) schools located within the District.

Director Thomas reported that he was continuing to work on improvements to the District's website with Ms. Barbara Payne, as previously discussed with the Board.

ENGINEER'S REPORT

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

Mr. Peterson first introduced Mr. McCampbell representing FM 2920 Properties, Inc., the owner of the 19.635-acre tract of land within the District, located on FM 2920 and formerly referred to as the Schoessow Homestead tract. Mr. McCampbell stated that the site would be developed into an individual office condominium project with 166 units and asked that Jones & Carter be authorized to review their request for service. Mr. Peterson noted that a feasibility study for the tract had been done at the time of the property's annexation into the District, but that Jones & Carter will update the feasibility study now that there is a specific use proposed for the property. 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 authorize Jones & Carter to review the request for service from FM 2920 Properties, Inc. and update the feasibility study for the tract.

Concerning the proposed improvements to Ditches "A" and "B", Mr. Peterson reported that he, Mr. Shackelford and Mr. Conner had met with Mr. David Beyer of Storm Water Solutions, LLC ("Storm Water Solutions") to discuss an interim solution to the erosion problem along the eastern right-of-way of Ditch "A" adjacent to Stone Forest, Section 4. Mr. Peterson noted that Storm Water Solutions has submitted a turnkey proposal in the amount of \$14,984.00 to rebuild the east ditch slope with a 10-foot maintenance berm. Mr. Peterson noted that the Harris County Flood Control District (the "HCFCD") is requiring that the detention volume of the ditches remain as originally designed with maintenance berms of at least 20 to 25 feet on each side of the ditches. Mr. Peterson further noted that the District does not have sufficient right-of-way to meet the HCFCD maintenance berm requirement and that Jones & Carter is exploring alternative solutions. Mr. Peterson added that Jones & Carter is recommending that the District acquire vacant land behind the carwash along Ditch "B" to replace the detention volume lost in the creation of the maintenance berms.

Mr. Peterson next reported that Mr. Raines, Mr. Montgomery and Mr. Warner came earlier to tonight's meeting to request water and sanitary sewer service from the District for the Texas Mega Storage property and left after a brief discussion with Mr. Conner and Mr. Shackelford. Mr. Peterson reported that Mr. Shackelford has reviewed the plans submitted by Texas Mega Storage, and that such plans are now in compliance with the District's requirements and Policies and Procedures for Development (the "Policies and Procedures"). Mr. Shackelford further stated that he is prepared to sign the plans and allow Texas Mega Storage to apply for water and sanitary sewer service.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 6:55 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1) and (2), Texas Government Code, as amended, to consult with the District's attorney regarding pending or contemplated litigation and matters relating to the attorney/client privilege. Everyone then exited the meeting with the exception of the Board members, Mr. Conner, Mr. Shackelford, Mr. Peterson, Ms. Jarmon, Ms. Sears, Mr. Almaguer, Ms. Bobbitt, Mr. Kasner and Ms. Dold, who attended the executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 7:06 p.m., at which time Mr. Joel Cullins, Mr. Cornelius, Mr. Hudson, Mr. Early, Sergeant Blankenship and Corporal Coleman entered the meeting, and the following action was taken by the Board. 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 sign the revised and approved plans for the Texas Mega Storage project and thereby allow Texas Mega Storage to make application to the District for water and sanitary sewer service, contingent upon full payment by Texas Mega Storage of all outstanding engineering and legal expenses incurred by the District in connection with the development and its compliance with the District's Policies and Procedures. Ms. Bobbitt recommended that a letter be sent to Mr. Raines with an accounting of all the outstanding legal and engineering invoices owed to the District. Mr. Conner stated he would prepare such letter on behalf of the District. The Board directed Aqua Services not to make any tap on the Texas Mega Storage tract until payment of the outstanding invoices is received from Texas Mega Storage.

Mr. Peterson noted that a copy of the Jones & Carter 2006 Schedule of Hourly Rates had been previously distributed to the Board and Mr. Conner, a copy of which is attached hereto.

Mr. Peterson then reported that Jones & Carter is continuing to review the District's water and sewer supply, capacity needs, elevated storage requirements, participation in the North Harris County Regional Water Authority Groundwater Transfer Program and the delivery of surface water beginning in 2010.

Mr. Peterson next reported that the bond application report for the District's 8th bond issue would be ready to submit to the Texas Commission on Environmental Quality (the "TCEQ") for expedited review in January.

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 Engineer's Report.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TCEQ FOR APPROVAL OF PROJECT AND EIGHTH ISSUE OF BONDS

Ms. Bobbitt then presented a Resolution Authorizing Application to the TCEQ for Approval of Project and Eighth Issue of Bonds (the "Resolution") in the amount of \$8,540,000 for the Board's adoption. 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 adopt the Resolution, a copy of which is attached hereto.

EXTENSION OF T.C. JESTER BOULEVARD

Mr. Peterson reported that KB Home Lone Star LP ("KB Home") was prepared to advertise for bids on the proposed extension of T.C. Jester Boulevard and installation of the District's water line. Ms. Bobbitt reported that she is making the final revisions to the Interlocal Agreement by and between the County, the District and KB Home (the "Agreement") and asked the Board to approve and authorize execution of the Agreement upon its completion and finalization. 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 and authorize execution of the Agreement upon its finalization. A draft copy of the Interlocal Agreement is attached hereto.

GENERAL MANAGER'S REPORT

Mr. Conner next presented the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first reviewed the proposal from Storm Water Solutions for the improvements to Ditch "A" in the amount of \$14,984.00, a copy of which is attached to the General Manager's Report. Mr. Conner described the scope of the work to be done and recommended acceptance of the proposal. 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 accept the proposal from Storm Water Solutions and authorized execution of same.

Sergeant Blankenship then presented the Harris County Precinct 4 Constable's Report, a copy of which is attached hereto. Sergeant Blankenship then announced his promotion to Lieutenant and the promotion of Corporal Coleman to Sergeant.

Mr. Conner next reported that he had received a notice of increase in standard rates and fees from Electrical Mechanical Services, Inc. ("EMS"), the District's professional maintenance services contractor, a copy of which is attached hereto. Director Thomas asked when the District entered into its agreement with EMS. Mr. Conner stated that the District had entered into the EMS agreement in August, 2005. The Board then deferred action on the rate increase and asked Mr. Conner to contact EMS to determine if the increase applies to the District since the agreement has not been in place for at least a year.

Director Marks then entered the meeting and Lieutenant Blankenship and Sergeant Coleman exited the meeting at 7:23 p.m.

Mr. Conner next discussed the proposal from Preventive Services, LP ("Preventive"), the District's construction management and inspection contractor, regarding a 15% increase in construction management costs, a copy of which is attached hereto. Mr. Conner noted that the current annual cost is \$81,000 and the increased annual cost will be \$93,150. Mr. Conner and Mr. Peterson reported that the construction management program was going very well and recommended approval of the proposal. Ms. Bobbitt recommended that the Agreement for District Field Project Representative Services (the "Preventive Agreement") with Preventive be amended to reflect the increased rates. 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 increased rates and authorized Ms. Bobbitt to prepare an amendment to the Preventive Agreement regarding such increases.

Mr. Cullins then exited the meeting at 7:35 p.m.

Mr. Conner next reported that St. Paul Insurance Co. sent an adjuster to survey/inspect the damage to the District's fences at Water Plant Nos. 1 and 2 and Lift Station Nos. 1, 2, 4, 5 and 6 during Hurricane Rita. Mr. Conner stated that the insurance company had paid the District \$18,919.60 for the damages and would pay up to \$37,000 for the replacement/repair of the damaged fences. Director Marks then asked Ms. Bobbitt if the District is required to go out for bids for the replacement/repair of the fences. Ms. Bobbitt stated that she did not believe that public bids would be required, that Mr. Kasner will review the matter and report his findings to Mr. Conner. Mr. Conner stated that he would solicit several proposals for the replacement of the fences.

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

REVIEW AND DISCUSS GARBAGE COLLECTION SERVICE MATTERS

The Board then recognized Mr. Smith, who addressed the Board concerning garbage collection issues in the District. Mr. Smith stated that Republic had investigated splitting the District into two (2) service day schedules, but decided that was not appropriate at this time. Mr. Smith reported that Republic had assigned four (4) garbage collection trucks to the District and is working on collection routes in the District in order to be in full compliance with their contract with the District. Mr. Smith stated that it might take an adjustment period of 30 to 60 days in order to get the routes in place and working properly. Mr. Smith also asked the Board to consider expanding the hours of collection from 7:00 a.m. until 4:00 p.m. to 7:00 a.m. until 6:00 p.m. Director Warren noted that 7:00 a.m. until 7:00 p.m. was fairly standard within the industry, based on his research of garbage service issues. Director Warren also stated that he felt that changing the hours of collection was a change to the contract, and that the Board should solicit proposals from other garbage collection companies if the District's contract with Republic is being changed. Director Marks stated that if Republic is now in compliance with its contract, there is no need to change anything. Director Steffes noted that if any substantial changes are

requested to the Republic contract, he felt the Board should consider soliciting proposals from other garbage collection companies, but at the present time, such action is not necessary.

Director Steffes then suggested that the Board send out a separate mailer to the District's customers regarding the 7:00 a.m. until 4:00 p.m. collection hours. Further discussion ensued. The Board agreed that the mailer should include information and phone numbers concerning the garbage collection service and hours for service, the District's security patrol program, the proposed Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") and the upcoming Directors Election on May 13, 2006. Mr. Steffes volunteered to draft the proposed letter to the District's residents. Ms. Sears stated that she would order labels for the mailing of such notice letter.

ATTORNEY'S REPORT

Ms. Bobbitt next explained that the 79th Legislature had implemented new conflicts of interest disclosure requirements for local governmental officials, such as the District's Board members. Ms. Bobbitt informed the Board that House Bill 914 where the new disclosure requirements are found added Chapter 176 of the Texas Local Government Code, which requires local governmental officials and persons seeking to contract with a local governmental entity, including District consultants, to complete a conflicts disclosure statement (the "Disclosure Statement") and a conflicts questionnaire (the "Questionnaire"), as applicable. Copies of the Disclosure Statement and Questionnaire are attached hereto. As applied to the District, Ms. Bobbitt stated that all Board members are now required to complete a Disclosure Statement, which discloses: (1) gifts received with a total value exceeding \$250.00 from a person contracting with or seeking to contract with the District; (2) business relationships the Board member has with a person who contracts or seeks to contract with the District that results in the Board member receiving taxable income; or (3) taxable income or gifts received from a person who contracts or seeks to contract with the District that are to the benefit of a Board member's spouse, children, or parents. Ms. Bobbitt then explained that the disclosure requirement for gifts does not include gifts of food, travel, lodging, or entertainment accepted as a guest, so, for example, if Ms. Bobbitt took a Board member to a World Series game, that would not have to be disclosed. Ms. Bobbitt next explained that the consultants and other contractors of the District must complete a Questionnaire as applicable. Ms. Bobbitt went on to state that her firm is working on a memorandum explaining the details of these new disclosure rules which go into effect January 1, 2006. Director Warren expressed concern about certain commissions that he earns. Ms. Bobbitt stated that she and Mr. Kasner would discuss his concerns with him.

Ms. Bobbitt next reported that signature pages for all the participants had been received for the Cost Sharing Agreement for Joint Detention Facilities (the "Cost Sharing Agreement") in connection with the Spring Terrace and Bella Sera detention facilities. Ms. Bobbitt further noted that Mr. Rick Yarbrough of D.R. Horton-Texas, Ltd. will deliver checks payable to MHI Partnership and Centex Homes to her office in the next week or so for final handling and disbursement.

Ms. Bobbitt noted that the proposed Detention Pond Maintenance Agreement by and between the District and the Community of Spring Terrace Homeowners Association and the proposed Detention Pond Maintenance Agreement by and between the District and the Bella

Sera Homeowners Association, Inc. were being presented for execution at tonight's meeting. 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 and authorize execution of the two (2) Detention Pond Maintenance Agreements.

Director Marks asked if the developers of the Spring Terrace/Bella Sera Subdivisions were expected to pay for the engineering and legal costs incurred on the Cost Sharing Agreement. Ms. Bobbitt responded that the participants were responsible for the costs incurred and would be invoiced accordingly by Ms. Jarmon.

Concerning the proposed SPA with the City, Ms. Bobbitt reported that the City is proposing to conduct hearings on the SPAs in February or March, 2006.

Mr. Early then reported that Parkside has submitted detention pond facility plans to Jones & Carter for review and that such plans have been approved. Mr. Early inquired if Parkside can proceed with connecting to the District's storm water system. Mr. Shackelford stated that the Parkside project has been approved and that Parkside could proceed with the connection. Mr. Shackelford noted that Parkside is responsible for engineering and legal costs incurred with the connection and for a pro rata share of the costs incurred in connection with the preparation of the Participation Agreement for Upper/Lower Bonds Gully Improvement Project.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, January 17, 2006, at 6:00 p.m. at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 17th day of January, 2006.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)