

MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 8

MINUTES OF SPECIAL MEETING OF BOARD OF DIRECTORS

SEPTEMBER 15, 2011

The Board of Directors (the "Board" or "Directors") of Montgomery County Municipal Utility District No. 8 (the "District" or "MCMUD 8") met in special session, jointly with Montgomery County Municipal Utility District No. 9 ("MCMUD 9"), open to the public, on Thursday, September 15, 2011, at 9:00 a.m., at the Walden Yacht & Country Club, 13101 Melville Drive, Montgomery, Texas 77356, a designated meeting place located inside the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Roy McCoy	President
Robert Leasure	Vice President
Daniel L. Davis	Assistant Vice President
Arch Payne	Secretary
Claude D. (Dan) Fryman	Assistant Secretary

All members of the Board were present. Also attending were Linda Wilson, Ernie Harris, Judy Sanders, Charles H. Barron and Jerry Nispel, Board of Directors of MCMUD 9; Erich Peterson, P.E. of Jones & Carter, Inc. (MCMUD 8 "Engineer"); Michael W. Mathena, P.E. of Bleyl & Associates ("MCMUD 9 Engineer"); Danny Wright and Philip Wright of Hays Utility North Corporation ("Operator"); Carolyn Ahrens of Booth, Ahrens & Werkenthin, P.C.; Bill Norris and David Pettry of NRS Consulting Engineers, Inc. ("NRS"); Scott Sustman, General Manager of the Walden Community Improvement Association ("WCIA"); Clark S. Lord of Vinson & Elkins LLP, attorney for MCMUD 9; and Ross J. Radcliffe of Johnson Radcliffe Petrov & Bobbitt PLLC ("District's Attorney").

The President, after finding that the notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order and declared it open for such business as may come before it.

1. Public Comment. The President first opened the meeting to public comment.
 - a. Director Davis reported that Senator Nichols will be meeting with citizens in an open meeting to address any issues raised by the public at the Montgomery County Community Center on Thursday, September 15, 2011, at 2:30 p.m.

As no further public comment was offered, the President directed the Board to proceed with the agenda.

2. NRS Engineer's Report.
 - a. Mr. Norris first discussed the timeline for the test well/production well projects and indicated that the projects are ready to bid.
 - b. Mr. Norris next reviewed in detail the pros and cons of the four (4) water plant sites related to such sites serving as the site for the new well and water treatment

facility. Mr. Norris explained that it would be most advantageous to use the Browning Street water plant because it scored higher than the other facilities.

Upon a **motion** by Director Davis, seconded by Director Fryman, after full discussion and with all Directors present voting aye, the Board approved NRS' recommendation of going forward with the Browning Street water plant site as the future water production facility for the Catahoula well. Directors Nispel and Brown followed such action and concurred with the use of the Browning Street water plant site.

Upon a **motion** by Director Davis, seconded by Director Fryman, after full discussion and with all Directors present voting aye, the Board authorized the Attorney to begin identifying additional lots for acquisition, if needed, for facilities related to the conjunctive use project.

- c. Mr. Norris then discussed his communications with the Texas Water Development Board ("TWDB") regarding the TWDB's concerns with timing, as well as the TWDB's requirements as to environmental assessments, which he feels will not be easily resolved. Messrs. Radcliffe and Lord discussed their conference with John Howell, and Mr. Norris concurred that it is in the best interest of MCMUD 8 and MCMUD 9 to withdraw the applications submitted to the TWDB and to include all projects in the application to the Texas Commission on Environmental Quality ("TCEQ"). Upon a **motion** by Director Davis, seconded by Director Payne, after full discussion and with all Directors present voting aye, the Board authorized the Attorney to notify the TWDB that the District will be withdrawing the District's application to TWDB due to concerns with timing of the TWDB approvals.

3. Attorney's Report.

- a. Ms. Ahrens reviewed the status of her communications with the Lone Star Groundwater Conservation District ("LSGCD") attorneys regarding the credit request for which the District has requested. Ms. Ahrens said after speaking with the LSGCD's attorneys, the District should ignore previous LSGCD letters because new letters will be prepared and sent. Ms. Ahrens discussed formally retaining Jack Stowe to perform water rights rate and cost analysis regarding the District's compelled service action. Upon a **motion** by Director Davis, seconded by Director Fryman, after full discussion and with all Directors present voting aye, the Board authorized execution of the agreement with J. Stowe & Co. for professional services.
- b. Ms. Ahrens requested the Board's direction on the next step in the Bed and Banks permit process and recommended that if she has not received a response from the TCEQ staff that the permit is moving toward hearing, the Board authorize the Attorney to request Senator Nichols to inquire as to why the permit is not moving forward. Upon a **motion** by Director Davis, seconded by Director Payne, after full discussion and with all Directors present voting aye, the Board authorized the Attorneys to request Senator Nichols to inquire as to why the Bed and Banks

permit is not moving forward in the event Ms. Ahrens does not receive a response from the TCEQ that the permit is moving toward hearing.

- c. Executive Session. Pursuant to Chapter 551 of the Texas Government Code, Subchapter D, of the Open Meetings Act, the President called the executive session to order at 10:30 a.m. to discuss matters within the attorney/client privilege regarding the Bed and Banks permit and related issues. Present for the executive session were the Board of Directors of MCMUD 8; the Board of Directors of MCMUD 9; Ms. Ahrens, Mr. Lord, and Mr. Radcliffe.

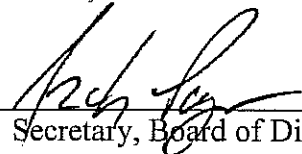
As of 11:01 a.m., the President declared the Executive Session was ended and the public session was resumed.

4. Director McCoy discussed R. W. Harden & Associates' invoices related to the LSGCD's aquifer studies that the District approved on Wednesday, September 14, 2011, for work needed since no one else provided oversight on the LSGCD's aquifer studies. Director McCoy requested MCMUD 9's consent to payment of the invoices. Upon a **motion** by Director Fryman, seconded by Director Davis, after full discussion and with all Directors present voting aye, the Board authorized the President to approve payment of expenses up to \$3,000 without full Board authorization as to ongoing District projects.

5. The Boards next discussed preparation of a summary report that may be necessary to explain the science behind the aquifer studies that the LSGCD is currently performing and recommended Kevin Spencer to prepare such report. Upon a **motion** by Director Davis, seconded by Director Payne, after full discussion and with all Directors present voting aye, the Board authorized Kevin Spencer to prepare a summary report pursuant to the Attorney's direction at a cost not to exceed \$3,000 to the District.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned.

PASSED AND APPROVED this the 12th day of October, 2011.


Secretary, Board of Directors