

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 18, 2005

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132 §

The Board of Directors (the “*Board*”) of Harris County Municipal Utility District No. 132 (the “*District*”) met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 at 12:00 p.m. on August 18, 2005; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Andy Armstrong, Secretary/Treasurer
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present except Directors Wilkinson and Haney. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Michelle Guerrero of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc., engineer for the District; Mr. Ernie Davis and Mr. Mike Goertz of Gurdy’s Express Wash; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

Call to Order. The Vice President called the meeting to order in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit “A”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of July 21, 2005, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of July 21, 2005, as presented.

2. **Receive comments from the public.** There were no public comments at this time.

3. **Review and authorize capacity commitment letters.** Ms. Zapletal presented to and reviewed with the Board requests for capacity commitment letters from Christian Brothers Automotive Corporation and Gurdy’s Express Wash, copies of such requests are attached hereto as Exhibits “B” and “C.” Mr. Goertz reviewed with the Board the plans for the proposed Gurdy’s Express Wash. Ms. Zapletal reported that the District has sufficient water capacity to serve both projects and, with the pooled wastewater treatment plant capacity, also has sufficient wastewater treatment capacity to serve both projects. Upon motion by Director Johnson, seconded by Director Armstrong, after full discussion and the question being put to the Board,

the Board voted unanimously to authorize issuance of capacity commitment letters for Christian Brothers Automotive Corporation and Gurdy's Express Wash.

4. **Review Bookkeeper's Report and Investment Report.** The Vice President recognized Ms. Kelly, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "D." Upon motion by Director Johnson, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to approve the Investment Report, and to authorize payment of check numbers 4974 through 5007 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Review Investment Policy and accept related party disclosures from Bookkeeper and Investment Officer.** Ms. Cogburn presented to the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "E." The Board agreed that no changes to the Investment Policy are needed at this time. Upon motion by Director Armstrong, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto.

Ms. Kelly stated that she will complete the memorandum disclosing Myrtle Cruz, Inc.'s relationships with any entities or individuals that have sold or seek to sell investments to the District and provide such to F&J for filing with the Texas Ethics Commission.

6. **Discuss impact of Strategic Partnership Agreement ("SPA") with City of Houston on budget and tax rate.** The Board reviewed a letter prepared by the District's financial advisor regarding the impact of SPA revenues on setting the 2005 tax rate, a copy of which is attached hereto as Exhibit "F." It was noted that the financial advisor for the District recommends that the District not reduce its tax rate by more than \$0.05 per \$100 of value until the District has a history of the SPA revenue. Ms. Cogburn noted that the tax rate can not be set until the District has received its 2005 certified roll from the Harris County Appraisal District.

7. **Review Tax Collector's Report and authorize payment of certain bills.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report for July 2005, a copy of which is attached hereto as Exhibit "G." Ms. Guerrero noted that 96.9% of the District's 2004 taxes had been collected as of July 31, 2005.

Ms. Guerrero recommended moving the current tax account from Bank of the Southwest/Amegy Bank to Texas Capital Bank. Upon motion by Director Johnson, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to authorize moving the tax account to Texas Capital Bank and to approve and authorize execution of a Depository Pledge Agreement with Texas Capital Bank.

Upon motion by Director Johnson, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report and to authorize payment of check numbers 1388 through 1393 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Operations Report and Billing and Collections Report.** The Vice President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Mensik reported that 99.66% of the water pumped was billed for the month ending July 25, 2005.

Mr. Mensik requested permission to turn four accounts in the total amount of \$816.72 over to collections.

In response to a question, Mr. Mensik stated he will research whether Huntington Homes has submitted a builder deposit and whether Huntington Homes is the same entity as Hampton Homes.

Upon motion by Director Johnson, seconded by Director Armstrong, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination of service to delinquent accounts and to authorize ST to turn four accounts in the total amount of \$816.72 over to collections.

9. **Status report on flow meters.** Mr. Mensik reported that repairs have not yet commenced within the area of lift station no. three. It was the consensus of the Board for ST to leave the flow meters in the ground, but not read them until the repairs have been completed.

10. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** Ms. Cogburn stated that there was nothing to report at this time.

11. **Engineer's Report.** Ms. Zapletal presented to the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "I."

Ms. Zapletal reported that the plans for the trunk main lines in Atascocita Commons, Phase One have been conditionally approved and that Brown & Gay and ST are awaiting for the recorded plat, which is currently in the recordation process in Harris County. Ms. Zapletal reported that no plans have been received for the individual pad sites that are to be developed.

Ms. Zapletal reported that Insituform Technologies, Inc. is substantially complete with phase one of the sanitary sewer rehabilitation. Ms. Zapletal reported that Brown & Gay is withholding 10% retainage in connection with the contract until all inspection punch list items are complete. Ms. Zapletal reported that a resident at 19619 Autumn Creek notified ST and Brown & Gay that some wallpaper was damaged during a backup caused by the pressure of the cleaning and that the contractor has been instructed to resolve such issue with the homeowner.

Ms. Zapletal reported that a Notice of Proceed has been issued for Repipe Texas, Inc. in connection with Phase Two of the Sanitary Sewer Rehabilitation and that the contractor began cleaning the main lines last week and is now working in Pinehurst of Atascocita, Section One.

Ms. Zapletal reported that Brown & Gay expects to receive more video footage of the sanitary sewer mains from ST this week.

Ms. Zapletal reported that the Texas Commission on Environmental Quality approved the District's request for minimum alternative capacity requirements for a system with more than

2,500 connections. A copy of the memorandum summarizing the efforts of Brown & Gay's research regarding metering of the water interconnects is attached to the Engineer's Report.

Ms. Zapletal reported that Brown & Gay is in the process of preparing the construction plans for Phase Three of the sanitary sewer rehabilitation. Ms. Zapletal stated that, upon completion, the plans will be submitted to Harris County for review.

12. **Authorize engineer to advertise for bids for the improvements to Lift Station No. Four.** Ms. Zapletal reported that Harris County returned the plans for the improvements to lift station no. four without any further comments. Ms. Zapletal stated that Brown & Gay is awaiting comments from the City of Houston. Upon motion by Director Armstrong, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to authorize engineer to advertise for bids for the improvements to lift station no. four.

13. **Discuss and take any action in connection with District communications.** There was no report on this item at this time.

14. **Adopt Resolution Honoring Director Armstrong.** The Vice President read the Resolution Honoring Director Armstrong, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Johnson, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Honoring Director Armstrong.

15. **Accept resignation of Director Armstrong.** Upon motion by Director Johnson, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to accept the resignation of Director Armstrong.

16. **Discussion regarding appointment of new director.** Extensive discussion ensued. It was the consensus of the Board to post a notice on the District's website inviting anyone who is interested in filling the vacancy on the Board to submit their resume to Ms. Christensen. The Board directed F&J to contact all parties who submitted resumes when the Board appointed Director Haney to let them know of the vacancy.

17. **Other matters.** There were no other matters to come before the Board at this time.

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

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The above and foregoing minutes were passed and approved by the Board of Directors on September 15, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)