

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 20, 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.; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present. Director Hughes entered the meeting in progress. 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. Cliff Kavanugh of First Southwest Company, financial advisor for the District; Mr. Mike McCall and Mr. Noel Barfoot of McCall, Gibson and Company, PLLC, auditor for the District; Ms. Patsy Oliver of the Atascocita Observer Newspaper; Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and three residents of the District. A sign-in sheet is attached hereto as Exhibit “A”.

Call to Order. The 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 “B”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of September 15, 2005, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 15, 2005, as presented.

2. **Receive comments from the public.** John Henderson inquired whether the District has decided on a polling location for the May, 2006 Director’s election. Director Wilkinson stated that the District has not yet approved a polling location. Mary Ann Cashion inquired whether the District plans on holding the election in a public building. Ms. Cogburn noted that the difficulty in finding registered voters within the District to serve as election clerks in a public building for both early voting and regular voting is what has prevented the District from holding the election in a public building in the past. Ms. Cashion stated that she will try and locate registered voters within the District willing to serve as election clerks. In response to

a question, Ms. Cogburn stated that she can provide the election clerk qualifications and the requirements for the polling location(s) to Ms. Cashion.

3. **Approve audit for fiscal year ended May 31, 2005.** Mr. McCall presented to and reviewed with the Board a draft of the audit for fiscal year ended May 31, 2005, a copy of which is attached hereto as Exhibit "C."

Director Hughes entered the meeting at this time.

Discussion ensued. 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 audit for fiscal year ending May 31, 2005.

Mr. McCall then presented to and reviewed with the Board a questionnaire required under the new Statement of Auditing Standard No. 99 ("SAS No. 99") in connection with any known fraud. 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 authorize execution of the questionnaire required by SAS No. 99.

4. **Review Bookkeeper's Report and Investment Report.** The 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." Ms. Kelly stated the District has received its first check in the amount of \$57,752.44 from sales tax revenue collected pursuant to the District's Strategic Partnership Agreement with the City of Houston. Upon motion by Director Hughes, seconded by Director Johnson, 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 5025 through 5054 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **Review Tax Collector's Report and authorize payment of certain bills.** The President recognized Ms. Guerrero, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for September 2005, a copy of which is attached hereto as Exhibit "E." Ms. Guerrero noted that 98.07% of the District's 2004 taxes had been collected as of September 30, 2005. Upon motion by Director Johnson, seconded by Director Haney, 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 1008 through 1011 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

6. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Cavanaugh, who presented to and reviewed with the Board a cash flow analysis and a recommendation for levying the 2005 tax rate, copies of which are attached hereto as Exhibit "F." The Board reviewed the Order Designating Officer to Calculate and Publish Tax Rate for 2005, a copy of which is attached hereto as Exhibit "G." Discussion ensued regarding lowering the maintenance tax. A motion was made by Director Hughes to lower the total tax rate by \$0.14 per \$100 assessed valuation. The motion failed for lack of a second. Director Wilkinson stated that she would not be in favor of lowering the tax rate more

that \$0.10 per \$100 assessed value until the District has a history of the SPA revenue. 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2005, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.46 per \$100 assessed valuation (\$.36 for debt service and \$0.10 for operations and maintenance).

7. **Discuss impact of Strategic Partnership Agreement on budget and tax rate.** There was no further discussion on this item.

8. **Operations Report and Billing and Collections Report.** The 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 99.98% of the water pumped was billed for the month ending September 2005.

Mr. Mensik reported that the generator at lift station no. one was utilized during and after the recent hurricane. Mr. Mensik stated that the generator's radiator is now in need of repairs due to a fuel leak. Mr. Mensik noted that the District's auxiliary power at the water plants and generator at lift station no. one run on diesel fuel. Mr. Mensik stated that the Board may want to consider replacing the auxiliary right angle drives and the diesel generator with generators that run on natural gas. Discussion ensued. It was the consensus of the Board for Mr. Mensik to obtain cost estimates for the replacement of the auxiliary right angle drives and diesel generator with natural gas generators at all District facilities.

Mr. Mensik reported that the resident at 8610 Summer Pines Drive has requested that the Board consider waiving her water deposit because she was displaced after Hurricane Katrina. Discussion ensued. It was the consensus of the Board to not waive the deposit.

Mr. Mensik requested permission to turn six accounts totaling \$793.19 over to collections and to write off one account in the amount of \$22.36.

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 approve the Operations Report, to authorize termination of service to delinquent accounts and to authorize ST to turn seven accounts totaling \$815.55 over to collections.

9. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** The Board reviewed the status report from Ms. Poissant in connection with the collection of builder damages, a copy of which is attached hereto as Exhibit "F." Director Hughes stated that he will pursue collections of the outstanding invoices from Bryant Brother (\$6.25) and Hasta La Pasta (\$5.22). It was noted that it will cost approximately \$100.00 for Ms. Poissant to have an investigator assist with the collection of the outstanding \$957.57 from Tri-City Turnkey Services. 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 authorize an expenditure of \$100.00 for Ms. Poissant to hire an investigator to assist with the collection of the outstanding \$957.57 from Tri-City Turnkey Services.

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

Ms. Zapletal reported that the proposed driveway plans that were received for Hibernia Bank on West Lake Houston Parkway indicate that the driveway is only 32 feet wide. Ms. Zapletal noted that the original plans approved by the Board required at least a 40 foot driveway entrance to allow for two turning lanes onto West Lake Houston Parkway. Ms. Zapletal reported that Brown & Gay will provide such comment to the architect for Hibernia Bank.

Ms. Zapletal reported that Johnny Carino's Restaurant has contacted Brown & Gay and will be sending proposed plans for the restaurant for review and approval.

Ms. Zapletal reported that Brown & Gay has approved the construction plans for MV Nails (in Atascocita Village Shopping Center).

Ms. Zapletal reported that Brown & Gay has reviewed the preliminary plans for Panda Express. Ms. Zapletal reported that Brown & Gay has requested additional information for final approval.

Ms. Zapletal reported that the preliminary review of the plans for Christian Brothers Automotive is underway.

Ms. Zapletal reported that Brown & Gay has provided information to parties who have expressed interest in purchasing a vacant tract of land at the southeast corner of the intersection of FM 1960 East and Atascocita Shores Drive.

Ms. Zapletal reported that an inspection was conducted by the TCEQ on Thursday, October 12, 2005 in connection with the proposed bond issuance. Ms. Zapletal reported that the TCEQ issued its Staff Memorandum and draft Order Approving Bond Issuance. Ms. Zapletal reported that Brown & Gay will be scheduling the preliminary inspection of the facilities in Kings River Estates, Section Five in preparation of the TCEQ's pre-purchase inspection.

Ms. Zapletal reported that Brown & Gay and ST are in the process of resolving a homeowner complaint in connection with a water leak in a service line at 19907 Sweetgum Forest. Ms. Zapletal reported that the leak is in the area of wellpoints installed by Insituform in connection with phase one of the sanitary sewer line rehabilitation several months ago.

Ms. Zapletal reported that Repipe Texas, Inc. is progressing with phase two of the sanitary sewer line rehabilitation. Ms. Zapletal presented to and reviewed with the Board Pay Estimate No. Two in the amount of \$44,502.30 and Change Order No. One in the amount of not to exceed \$80,000 (net increase to contract of \$10,000) for approval, copies of which are attached to the Engineer's Report.

Ms. Zapletal reported that Brown & Gay has received video footage of 5,683 linear feet of sewer line from ST in connection with the cleaning and televising of the sanitary sewer lines. Ms. Zapletal stated that Brown & Gay estimates the cost for heavy cleaning and rehabilitation of the deficiencies (priorities one through three) in Atascocita Shores Section Four, Golf Villas,

Islands Greens, and Pinehurst of Atascocita Section Two will be approximately \$127,324.40. A summary of the video footage and the cost estimate are attached to the Engineer's Report.

Upon motion by Director Johnson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve Pay Estimate No. Two in the amount of \$44,502.30 and Change Order No. One in the amount not to exceed \$80,000 in connection with phase two of the sanitary sewer line rehabilitation.

11. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that there have been no requests for capacity commitments within the last month.

12. **Award contract for installation of an additional pump at the shared lift station with Harris County Municipal Utility District No. 151 ("No. 151").** Ms. Zapletal presented to and reviewed with the Board the bid tabulation for the construction of an additional pump at the shared lift station with No. 151, a copy of the bid tabulation is attached to the Engineer's Report. Ms. Zapletal noted that the low bid was from G&N Enterprises in the amount of \$39,980. Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to award the contract for installation of an additional pump at the shared lift station with No. 151 to the low bidder, G&N Enterprises, in the amount of \$39,980.

13. **Authorize engineer to advertise for bids for Phase Three of Sanitary Sewer Line Rehabilitation.** 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 authorize the engineer to advertise for bids for phase three of the sanitary sewer line rehabilitation.

14. **Discuss and take any action in connection with District communications.** Director Hughes reviewed with the Board the recent updates to the District' website.

15. **Discussion regarding appointment of new director.** The Board reviewed the resumes received from Mr. Berger, Mr. Arnold, Mr. Mulkey and Mr. Weiss to fill the open, unexpired position on the Board, copies of their respective resumes are attached hereto as Exhibit "K." Mr. Berger then responded to numerous questions from Director Hughes. Upon motion by Director Haney, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Mr. Berger to the Board of Directors.

16. **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 November 17, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)