

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 20, 2006

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 Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 on April 20, 2006 at 12:00 p.m.; whereupon the roll was called of the directors, to-wit:

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

All members of the Board were present except Director Johnson. 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; Mr. Ben Pawlak of Bob Leared Interests, tax assessor and collector for the District; Mr. Fred Richardson 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. Mike McCall of McCall, Gibson & Company, PLLC, auditor for the District; Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and two 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 March 29, 2006, previously distributed to the Board, were presented for approval. Upon motion by Director Berger, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 29, 2006, as presented.

2. **Receive comments from the public.** The President recognized Mr. Jack Henderson, who stated that he thinks a resident who pays the District for water and sewer service, but lives in the City of Houston, should be able to vote in the District’s election. Ms. Cogburn stated that the Texas Election Code governs eligibility for voting and noted that the Texas State Legislature is the only entity that can change the election laws.

The President recognized Mr. Tim Stine, who stated that he is a candidate running for Director of the Board in the upcoming election.

3. Engage Auditor for fiscal year ending May 31, 2006. The President recognized Mr. McCall, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending May 31, 2006, a copy of which is attached hereto as Exhibit "C." Mr. McCall reviewed with the Board a letter regarding required disclosure of any fraudulent activity by the Board of Directors, a copy of which is attached hereto as Exhibit "D." Discussion ensued regarding fraud. Upon motion by Director Haney, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to engage McCall, Gibson & Company, PLLC to perform the District's audit for fiscal year ending May 31, 2006, and to authorize the President to execute the auditor engagement letter.

4. Approve Amendment to Amended and Restated District Information Form.

The Board reviewed the Amendment to the Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "E." Ms. Cogburn noted that the Amended District Information Form has been revised to reflect the amount of bonds issued by the District. Upon motion by Director Haney, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution and filing of the Amended District Information Form in the Harris County Real Property Records.

Director Hughes entered the meeting at this time.

5. 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 "F."

Ms. Kelly presented to the Board a draft budget for fiscal year ending May 31, 2007, a copy of which is attached to the Bookkeeper's Report.

Upon motion by Director Berger, seconded by Director Haney, 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 5233 through 5273 from the Operating Account and check numbers 5040 through 5042 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

6. Adopt budget for fiscal year ending May 31, 2007. Discussion ensued regarding the proposed budget. 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 authorize the District's consultants to review the proposed budget and provide recommendations and comments prior to the next Board meeting.

7. Engage consultant to prepare arbitrage rebate calculation. This item was deferred pending receipt of a proposal from Arbitrage Compliance Specialists.

8. Review Tax Collector's Report and authorize payment of certain bills. The President recognized Mr. Pawlak, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for March 2006, a copy of which is attached hereto as Exhibit "G." Mr. Pawlak noted that 92.21% of the District's 2005 taxes had been collected as of March 31, 2006. Director Hughes requested that Mr. Pawlak provide him with a list of Atascocita Country Club's tax accounts. Upon motion by Director Haney, seconded by Director Berger,

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 1052 through 1059 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. Engage delinquent tax attorney to enforce the collection of delinquent taxes.

Ms. Cogburn noted that the District has an existing contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes. 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 authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to collect delinquent 2005 taxes pursuant to the terms of such contract.

10. Authorize additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2006. 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 authorize an additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2006.

11. Operations Report and Billing and Collections Report. The President recognized Mr. Richardson, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Richardson reported that 96.34% of the water pumped was billed for the month ending March 24, 2006.

Mr. Richardson requested permission to turn three accounts totaling \$228.33 over to collections and to write off four accounts in the amount of \$41.71.

Upon motion by Director Hughes, seconded by Director Berger, 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 three accounts totaling \$228.33 over to collections and to write off four accounts totaling \$41.71 .

12. 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 the Tri-City Turnkey Services builder damages, a copy of which was previously distributed to the Board. It was the consensus of the Board that the District's operator is the appropriate person to sign the affidavit of liquidated damages.

13. Engineer's Report. Ms. Zapletal presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "I."

Ms. Zapletal reported that the construction plans for the Capital One have been revised by Texas Engineering and Mapping. Ms. Zapletal noted that there were a few comments that were not addressed. Ms. Zapletal stated that Capitol One's architect, Levinson & Associates, has requested that the left-turn lane issue be reviewed separately from the site plans as Capital One would like to proceed with construction of the site work in advance of the construction of the left-turn lane. Ms. Zapletal noted that the issue is still before Harris County, which is the entity that has to approve construction of the left-turn lane. Ms. Zapletal noted that

if Harris County does not allow the left-turn lane from West Lake Houston Parkway, then this condition of the access easement will not be enforced. Discussion ensued. Upon motion by Director Berger, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted three in favor (Director Hughes dissenting) to authorize the engineer to approve the site plans for Capital One with the understanding that the land owner will continue to pursue approval of a left-turn lane with Harris County.

Ms. Zapletal reported that Brown & Gay has reviewed the preliminary plans for On the Border Restaurant and will return comments to CEI Engineering Associates this week.

Ms. Zapletal reported that Brown & Gay was provided construction tapes on April 19, 2006 in connection with phase three of the sanitary sewer rehabilitation. Ms. Zapletal noted that no pay estimates have been received. Ms. Zapletal reported that the contractor has completed rehabilitation of approximately 8,000 linear feet of the 8" and 10" pipe and 1,930 linear feet of pipe is scheduled for next week. Ms. Zapletal noted that the total project includes 28,869 linear feet of 8" through 18" pipe.

Ms. Zapletal reported that the TCEQ has authorized the District to proceed with coating the interior of the Ground Storage Tank ("GST") and Hydro-Pneumatic Tank ("HPT") at water plant no. one on an emergency basis. Ms. Zapletal reported that F&J has reviewed the performance and payment bonds for the contract with Universal Coating Specialists. Ms. Zapletal noted that she is coordinating with the contractor to schedule a pre-construction meeting date for early next week.

Ms. Zapletal reported that ST provided 2,759 linear feet of video footage from the televising of the sanitary sewer mains to Brown & Gay after the last meeting. Ms. Zapletal stated that the segments televised were 6" and 12" diameter pipe within Kings River Estates, Section One. Ms. Zapletal stated that Brown & Gay estimates the cost for rehabilitation of five manholes in this areas to be approximately \$13,680. A summary of the video footage and the cost estimate are attached to the Engineer's Report.

Ms. Zapletal reported that she has reviewed the estimated costs of the proposed emergency generators at the District's water plants and lift stations with Director Haney, who noted that the costs were much higher than recent costs for similar equipment purchased and installed by CenterPoint. Ms. Zapletal stated that Brown & Gay investigated possible reasons for this difference. Ms. Zapletal stated that when the budget costs were originally compiled, Brown & Gay contacted local suppliers that are familiar with the District's electrical specifications on minimum voltage drops, meeting demands, etc. Ms. Zapletal stated that although the budget costs are high, the construction bids may come in lower than the estimates. Discussion ensued. Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the engineer to prepare plans and specifications, to proceed in obtaining the necessary easements, to solicit bids for the project, and to notify the Board if an emergency meeting will be necessary to award the contract on a timely basis.

Ms. Zapletal reported that during a site visit in Harris County MUD No. 153 ("No. 153") for purposes of its elevated storage variance request, another meter between the

District and Harris County MUD No. 152 ("No. 152") was located on the 24" waterline along West Lake Houston Parkway. Ms. Zapletal stated that No. 153 would like to request the Board's consideration in making allowances for No. 153 to also utilize the meter during emergency situations. It was the consensus of the Board to place No. 153's request on the next meeting agenda.

14. Review and authorize capacity commitments. Ms. Zapletal stated that the District has not received any capacity commitment requests since the last Board meeting.

15. Status report on the installation of an additional pump at the shared lift station with Harris County Municipal Utility District No. 151. Ms. Zapletal reported that the installation of the additional pump at the shared lift station is completed and the TCEQ inspection was held on April 19, 2006. Ms. Zapletal stated that only one deficiency was noted and G&N Enterprises is completing the work.

16. Discuss and take action in connection with Directors Election, including approval of Agreement with Harris County relating to the May 13, 2006 election. The Board reviewed the Agreement between the District and Harris County relating to the Election to be held on May 13, 2006, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Agreement between the District and Harris County relating to the Election to be held on May 13, 2006 and to authorize payment of a deposit to Harris County in the amount of \$897.61.

17. Discuss and take any action in connection with District communications. Director Hughes noted that the April meeting agenda was not posted on the website and he will be coordinating with representatives of The Texas Network to discuss such matter. Discussion ensued.

18. Discuss and take action in connection with request from Atascocita Country Club regarding meeting time. Ms. Christensen stated that the Country Club has asked that the District consider holding its District meetings earlier than 7:00 p.m. on Thursdays or moving the meetings to Wednesdays. Discussion ensued. It was the consensus of the Board to move the District meeting time to 5:30 p.m. or 6:00 p.m., depending on the Country Club's preference.

19. 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 May 18, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)