

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 16, 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 offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 on February 16, 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. 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. 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; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; Mr. Mike McCall and Mr. Kyle Judice of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Locke Braly of Kings River II, Ltd., developer of land in the District; Mr. Martin Willhoite 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 January 19, 2006, previously distributed to the Board, were presented for approval. Director Hughes requested that the minutes reflect that he requested an item be placed on the February 16, 2006 agenda to discuss posting the District’s financial statements on the website. Upon motion by Director Berger, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of January 19, 2006, as corrected.

2. **Receive comments from the public.** The President recognized Mr. Jack Henderson, who inquired about the appropriate procedures to file for a place on the May 13, 2006 ballot. Mr. Henderson also volunteered to serve as an election official in the District’s upcoming Directors election scheduled for May 13, 2006.

Ms. Mary Ann Cashion inquired about the District's plan for utilizing the Strategic Partnership Agreement revenue. Director Wilkinson noted that the District has reduced its tax rate and plans to utilize some of the funds for rehabilitation of the District's water and sanitary sewer system.

Director Johnson reported that there was an accident at the park in Atascocita Shores. Director Johnson requested that an item be added to the March agenda for considering a proposal for upgrading the park equipment.

3. **Review and approve reimbursement audit (Kings River Estates, Section Five).** The President recognized Mr. McCall, who presented to and reviewed with the Board the Report on Applying Agreed-Upon Procedures to Construction, Engineering, and Related Costs Reimbursable to Kings River II, Ltd., a copy of which is attached hereto as Exhibit "C." 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 approve the Report on Applying Agreed-Upon Procedures to Construction, Engineering, and Related Costs Reimbursable to Kings River II, Ltd.

4. **Approve Conveyance of Facilities in connection with Kings River Estates, Section Five.** Ms. Cogburn presented to the Board the Conveyance of Facilities for Water, Sewer, and Drainage Facilities to Serve Kings River Estates, Section Five, a copy of which is attached hereto as Exhibit "D." Ms. Zapletal reported that the TCEQ has inspected the facilities, and has issued its pre-purchase approval letter. 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 accept and authorize execution of the Conveyance of Facilities and to authorize payment for the facilities serving Kings River Estates, Section Five in the amount of \$815,270.53 to Kings River II, Ltd.

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 "E." 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 accept the Bookkeeper's Report, to approve the Investment Report, and to authorize payment of check numbers 5178 through 5193 from the Operating Account, all as listed in the Bookkeeper's Report.

6. **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 January 2006, a copy of which is attached hereto as Exhibit "D." Mr. Pawlak noted that 99.11% of the District's 2004 taxes and 89.45% of the District's 2005 taxes had been collected as of January 31, 2006. 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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1035 through 1044 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Review analysis regarding adopting a homestead tax exemption and Adopt Order Authorizing Exemption from Taxation.** Ms. Moran presented to and reviewed with the Board an analysis of the impact of a homestead tax exemption, a copy of which is attached hereto as Exhibit "G." Mr. Pawlak reported that there are 1,229 homesteads within the District that are eligible for a homestead tax exemption. Discussion ensued. 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 Adopt the Order Authorizing 20% Homestead Tax Exemption, a copy of which is attached hereto as Exhibit "H."

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 "I." Mr. Mensik reported that 90.51% of the water pumped was billed for the month ending January 24, 2006.

Mr. Mensik requested permission to write off one account totaling \$0.70.

Mr. Mensik reported that while the booster pumps at water plant no. one were being repaired, ST inspected the ground storage tank ("GST") and the hydro-pneumatic tanks. Mr. Mensik reported that a portion of the interior of the GST needs to be re-coated and the interiors of the hydro-pneumatic tanks need to be blasted and re-coated. Mr. Mensik stated that two and one half inches of sand was cleaned from the bottom of the GST. Ms. Zapletal estimated that the necessary repairs will cost between \$50,000 and \$65,000. Discussion ensued regarding whether the District should proceed with obtaining TCEQ approval for approval to solicit (rather than advertise) for bids for the repairs in order to complete the repairs before summer. 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 Brown & Gay to proceed with obtaining TCEQ approval to solicit (rather than advertise) for bids and to proceed with soliciting three bids for the repairs.

Director Johnson noted that on page 20 of the report, the District was charged for delivering envelopes to Board members. Mr. Mensik stated that he will ensure that such amount is credited back to the District.

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 write off one account totaling \$0.70.

9. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** There was no status report at this time.

10. **Adopt Order Calling Director's Election.** Director Hughes reported that he contacted Humble ISD regarding the possibility of holding a joint election. Director Hughes stated that if the District entered into a contract with Humble ISD for a joint election, the District would be responsible for 50% of the approximately \$18,000 cost related to the electronic voting machines and election officials. Director Hughes noted that the early voting would be held in the Humble ISD administration building. Director Hughes noted that Humble ISD does not feel that holding a joint election is feasible at this time.

The Board reviewed the Order Calling Director's Election, a copy of which is attached hereto as Exhibit "J." Discussion ensued regarding the appointment of election officials. Upon motion by Director Berger, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Calling Director's Election, thereby appointing Greg Went as the Presiding Judge, Ray Ham as the Alternate Presiding Judge, and Jack Henderson and MaryAnn Cashion as election clerks.

11. **Discuss and take any action in connection with District communications.** Ms. Cogburn reported that the District is not prohibited from posting its financial statements on its website, but there is some concern about whether this could create a risk under the federal securities laws. The Board noted that the financial statements are available on request. It was the consensus of the Board to not post financial statements on the District's website.

Directors Haney and Hughes left the meeting at this time.

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

Ms. Zapletal reported that a representative of the proposed Hibernia Bank met with Harris County to review the construction plans for the driveway entrance from West Lake Houston Parkway. Ms. Zapletal stated that the Board previously requested a 40-foot wide driveway entrance, but Harris County will only agree to and permit a 36-foot wide entrance at this location.

Ms. Zapletal reported that Brown & Gay has received and reviewed revised plans for Johnny Carino's Restaurant and has requested documentation of approval by Harris County.

Ms. Zapletal reported that Harris County did not require review of the re-construction plans for the Panda Express and therefore, the previously requested Express Review Sheet was not required.

Ms. Zapletal reported that the construction plans have been received for the Atascocita Commons Phase One pad sites. Ms. Zapletal reported that Brown & Gay is awaiting receipt of the fire protection plans for Applebee's Restaurant prior to releasing taps.

Ms. Zapletal reported that Brown & Gay has requested additional clarification and details for the backflow prevention in connection with Atascocita Commons Phase Two prior to approving the plans.

Ms. Zapletal reported that on January 24, 2006 the TCEQ approved the Board's Application for Release of Escrowed Funds for the construction of the wastewater treatment plant expansion.

Ms. Zapletal reported that the TCEQ inspection was conducted on January 26, 2006 and all deficiencies have been corrected. Ms. Zapletal presented to and reviewed with the Board Pay Estimate No. Six and Final in the amount of \$33,257.05 in connection with Phase Two of the Sanitary Sewer Rehabilitation, a copy of which is attached to the Engineer's Report. Ms.

Zapletal stated that Brown & Gay recommends payment of Pay Estimate No. Six and Final, but recommends not releasing the check until the contractor has signed the final pay estimate.

Ms. Zapletal reported that a pre-construction meeting will be held on February 17, 2006 at 10:30 a.m. with Insituform Technologies in connection with Phase Three of the Sanitary Sewer Rehabilitation.

Ms. Zapletal reported that ST has provided Brown & Gay with video coverage of approximately 3,542 of liner feet since the last meeting. Ms. Zapletal stated that Brown & Gay estimates the cost for rehabilitation of the deficiencies in the lines along Atascocita Shores Drive and in portions of Atascocita Shores, Section One to be approximately \$101,502. A summary of the video footage and cost estimate are attached to the Engineer's Report.

Ms. Zapletal presented to and reviewed with the Board a report in connection with the options for installation of generators at the lift station and water plant sites and the associated costs, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that she will forward such report to Director Haney for review and recommendations.

Ms. Zapletal reported that the City of Houston has informed Brown & Gay that a full metering station will be required to be constructed in connection with all of the District's interconnects per the City's specifications. Ms. Zapletal stated that because of the invasive nature of the construction of the required meters, there is a required for additional 15 foot by 25 foot water meter easements in existing residential lots in Harris County MUD No. 152 ("No. 152") and the cost associated with the installation and site work will be approximately \$50,000 for each meter installation. Ms. Zapletal stated that Brown & Gay recommends that the District abandon the interconnects with No. 152 now that No. 152 has two water wells.

Upon motion by Director Berger, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve Pay Estimate No. Six and Final in the amount of \$33,257.05 (with the check to be held until the contractor has signed the pay estimate) in connection with phase two of the sanitary sewer rehabilitation, to authorize Brown & Gay to contact the engineer for No. 152 regarding abandoning the District's interconnects with No. 152 and to proceed with the construction plans for the remaining interconnects.

13. Review and authorize capacity commitment letters. Ms. Zapletal presented to and reviewed with the Board a request from RG Miller Engineers for capacity commitment (commercial retail) and a request from Mr. Mike Rowland for a capacity commitment renewal (Kingwood Sports Complex), copies of such requests are attached to the Engineer's Report. 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 Berger, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of a capacity commitment letter RG Miller Engineers and to authorize renewal of the capacity commitment for the Kingwood Sports Complex.

14. **Discuss and take action in connection with Joint Easement (Rowland Interests and Hibernia Bank).** Ms. Cogburn reported that the attorney for Hibernia Bank has coordinated with Mr. Rowland regarding preparation of a Joint Easement. Ms. Cogburn stated that she has reviewed the Joint Easement Agreement and recommends approval by the Board. Upon motion by Director Johnson, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Joint Easement Agreement with Rowland Interests and Hibernia Bank.

15. **Status report on the installation of an additional pump at the shared lift station with Harris County Municipal Utility District No. 151 (“No. 151”).** Ms. Zapletal reported a pre-construction meeting with G&N Enterprises was held at 2:00 p.m. on January 24, 2006. Ms. Zapletal reported that the contractor is waiting for the electrician to complete their work to be able to install the new equipment. Ms. Zapletal noted that, upon completion of the electrical work, the conversion should only take a few days.

16. **Adopt Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.** Ms. Cogburn presented to and reviewed with the Board a Resolution Adopting Prevailing Wage Rate Scale for Construction Projects, a copy of which is attached hereto as Exhibit “L.” Upon motion by Director Johnson, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Adopting Prevailing Wage Rate Scale for Construction Projects.

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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on March 16, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)