

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 21, 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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas on September 21, 2006 at 6:00 p.m.; whereupon the roll was called of the directors, to-wit:

Ray Hughes, President
Marie Wilkinson, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Tim Stine, 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. Molly Levine of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Cliff Kavanaugh of First Southwest Company, financial advisor for the District; Mr. Locke Braly of Kings River II, Ltd., a developer of land in the District; Ms. Nikki Wynn of Payne Communications, community relations consultant for the District; Mr. Martin Willhoite of the Atascocita Observer Newspaper; 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 August 17, 2006, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of August 17, 2006, as presented.

2. **Receive comments from the public.** There were no comments from the public.

3. **Approve audit for fiscal year ended May 31, 2006.** Ms. Levine presented to and reviewed with the Board a draft of the audit for fiscal year ended May 31, 2006, a copy of which is attached hereto as Exhibit “C.” Discussion ensued. Upon motion by Director Haney, seconded by Director House, 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, 2006.

4. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The President recognized Mr. Kavanaugh, who presented to and reviewed with the Board a cash flow analysis and a recommendation for levying the 2006 tax rate, copies of which are attached hereto as Exhibit "D." The Board reviewed the Order Designating Officer to Calculate and Publish Tax Rate for 2006, a copy of which is attached hereto as Exhibit "E." Extensive discussion ensued regarding the projected assessed valuation and the feasibility of lowering the debt service tax rate due to the projected strategic partnership revenue. Mr. Kavanaugh stated that the District's lower than normal certified value is due to the substantial number of accounts that are currently under protest and should increase when these accounts are certified. Upon motion by Director Wilkinson, seconded by Director Haney, 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 2006, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.35 for \$100 assessed valuation (\$0.25 for debt service and \$0.10 for operations and maintenance).

Discussion ensued regarding the newspaper in which the tax assessor and collector should publish Notice of the proposed tax rate and tax rate hearing. It was the consensus of the Board to have the Notice published in the Atascocita Observer, if such newspaper meets the statutory requirements, or the This Week Section of the Houston Chronicle if the Atascocita Observer does not meet the statutory requirements.

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." Upon motion by Director Stine, seconded by Director Wilkinson, 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 5409 through 5466 from the Operating Account.

6. **Approve amended budget for fiscal year ending May 31, 2007.** The Board reviewed the amended budget, a copy of which is attached to the Bookkeeper's Report. Director Stine stated that the amended budget has not yet been approved and should not reflect that it was amended July 20, 2006. Discussion ensued. It was the consensus of the Board that Ms. Zapletal coordinate with the District's bookkeeper and auditor to determine the amount of uncommitted funds in the capital projects account and that Director Stine coordinate with the bookkeeper to ensure the amended budget will be ready for approval at the next Board meeting.

7. **Review Investment Policy and accept related party disclosures from Bookkeeper and Investment Officer.** Ms. Christensen presented to the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "G." The Board agreed that no changes to the Investment Policy are needed at this time. Upon motion by Director Haney, seconded by Director House, 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 it to F&J.

8. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "H." Ms. Christensen stated that the District is required to file such report with all nationally recognized municipal securities information repositories ("NRMSIRs") and the state information depository pursuant to the bond orders for the District's 2000, 2003 and 2006 bond issues. Upon motion by Director Stine, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to Adopt the Resolution Approving the Annual Report on Financial Information and Operating Data and to authorize the filing of same with all NRMSIRs and the state information depository.

9. **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 August 2006, a copy of which is attached hereto as Exhibit "I." Mr. Pawlak noted that 97.1% of the District's 2005 taxes had been collected as of August 31, 2006. Upon motion by Director Stine, seconded by Director House, 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 1092 through 1097 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

10. **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 "J." Mr. Mensik reported that 100.33% of the water pumped was billed for the month ending August 23, 2006. Mr. Mensik reported that a District valve was repaired and during such repair the interconnect was opened. Mr. Mensik stated that the water utilized by the District through the interconnect is what caused the water accountability percentage to be in excess of 100%. 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 Operations Report and to authorize termination of service to delinquent accounts.

11. **Discuss and take any action regarding engaging a new electricity provider.** Mr. Mensik presented to and reviewed with the Board a proposal from The Legacy Group for the management of and providing electricity services, a copy of which is attached hereto as Exhibit "K." Discussion ensued. Upon motion duly made and seconded, after full discussion and the question being put to the Board, the Board voted unanimously to authorize The Legacy Group to proceed with obtaining proposals from electricity providers and to authorize Director Haney to review and execute the most advantageous contract.

12. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** There was nothing to report on this item at this time.

13. **Engineer's Report.** The President recognized Mr. de Jesus, a resident of Kings River Estates, Section 4 ("KRE, Section 4"). Mr. de Jesus reported that he has resided in KRE,

Section 4 for approximately six months and has witnessed the drainage ditches flood on numerous occasions. Mr. de Jesus also noted that there are some issues with drainage coming onto the property from the Atascocita golf course. Ms. Zapletal stated that the roadside ditches in the gated section of KRE, Section 4 drain Kings Crown Court. Ms. Zapletal stated that Harris County does not maintain the ditches. Mr. Braly stated that the District's previous engineer designed the drainage facilities that serve KRE, Section 4 and the drainage facilities do not appear to be adequate and may not have been constructed properly. It was noted that the developer for KRE, Section 4, RRH Development Corp., was reimbursed for the construction of the facilities. Mr. Braly and Mr. de Jesus requested the District's assistance with the maintenance of the ditches. Ms. Zapletal stated that a topographic survey of the area would need to be completed prior to determining a solution for the drainage issues. It was the consensus of the Board that Ms. Cogburn research and inform the Board whether the District is legally able to maintain the drainage ditches and pay to correct the current drainage problems.

Ms. Zapletal presented to and reviewed with the Board the Engineer's Report, a copy of which follows in substantially the form it was presented:

Surplus Funds: With the approved audit, BGE will coordinate with the bookkeeper to finalize the summary of surplus funds in the capital projects fund. To date, Series 2006 funds totaling \$1,117,600 (\$1,016,000 + \$101,600 contingencies) remain escrowed for Improvements to the Water Supply System.

Construction Plan Review:

- a. Gurdy's Express Car Wash (Atascocita Road): Two sets of revisions have been reviewed. The recorded documents for the private waterline easement and the water meter easement have been received. All comments have been addressed to date and the connections are approved. ST has issued the work order for the inspections. It was the consensus of the Board that ST expedite the process of installation taps by calling Gurdy's regarding payment.
- b. On The Border Restaurant (FM 1960 East): Brown & Gay is waiting for a copy of the recorded water meter easement from the Harris County Clerk's Office. A new plat was submitted on September 18th to the City of Houston for review and approval. The plat will be on the September 28th Planning Commission agenda for approval. With the City's approval and receipt of the Final CPC-101 form and acknowledgement of the plat's submission for recordation, the connections to the system can be allowed. A copy of the plat is attached to the Engineer's Report.
- c. Atascocita Commons: RG Miller Engineers provided construction plans for revisions to the private sanitary sewer system that serves the Atascocita Commons. Due to defects in the original construction, the private sewer is being re-routed in order to achieve proper grades and connect to the public sewer in Kingwood Glen Drive. A reduced-size copy of the new layout is attached to the Engineer's Report.
- d. Retail space on Atascocita Road (1.0827 acres): Nothing new to report.

- e. Wells Fargo (FM 1960 East in front of HEB): Brewer & Escalante are currently addressing plan review comments, one of which is the requirement to obtain the utility commitment for the project.
- f. Residential/commercial construction at FM 1960 East and Atascocita Shores Drive: Nothing new to report.
- g. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- h. Proposed Tuscan Village on the northeast and northwest corners of FM 1960 East and Atascocita Shores Drive: The design of this patio home project is currently underway.

Cleaning & Televising of Sanitary Sewer Mains:

Severn Trent has submitted the remainder of the video footage to Brown & Gay. The video review spreadsheet and exhibits will be presented at next month’s meeting.

Sanitary Sewer Rehabilitation – Phase III:

Pay Estimate No. Four from Insituform Technologies in the amount of \$134,614.46 has been reviewed and is approved for payment. The pay estimate includes payment for approximately 4,200 linear feet of rehabilitation.

Emergency Force Main Repairs:

Pay Estimate No. One from Insituform Technologies in the amount of \$81,173.88 has been reviewed and is approved for payment. The District’s share of this pay estimate is \$46,106.76. The pay estimate includes payment for bonds, bypass pumping, traffic control, and four end seals. The cured-in-place liner is complete, and the contractor will be conducting the testing on the liner in the next couple of weeks. Brown & Gay is providing a few photos of the work conducted the night of September 7th. In response to a question, Ms. Zapletal noted that separate pay estimates have been sent to Harris County Municipal Utility District Nos. 151 and 153 (“No. 151” and “No. 153”) for payment. In response to a question, Ms. Christensen stated that she will ask Ms. Cogburn whether a portion of the initial cost of the emergency force main repairs can be charged to No. 151 and No. 153.

Ms. Zapletal reported that Brown & Gay has developed a summary of change order items necessary for the completion of emergency force main repairs. These items are required for construction (#1), will facilitate future access by the operator (#2), will reduce friction losses within the force main (#3 & #4), and will replace the driveway that was removed for construction access. The paperwork will be presented for approval and signature next month.

Item No.	Item Description	Cost
1.	Centerpoint Energy Fees to de-energize electrical lines in vicinity of work	\$ 4,840.00

2.	Two (2) Six-Foot-Diameter Manholes for access to air release valves	\$ 25,540.40
3.	Replace 18-inch 90-degree bend with 45-degree bends before crossing FM 1960 East	\$ 7,467.50
4.	Coat existing 45-degree bends at the lift station	\$ 6,019.80
5.	Replace Driveway at lift station site	\$ 5,228.80
TOTAL		\$ 49,096.50

In response to a question from Ms. Christensen, Ms. Zapletal stated that the change order items will increase the total contract price to \$843,397.70.

Installation of Natural Gas Generators at Water Plants and Lift Stations:

Three sealed bids were opened Thursday, September 14th, at the offices of Brown & Gay. The attached bid tabulation verifies that C.F. McDonald Electric Company submitted the lowest qualified bid in the amount of \$941,636.50. Brown & Gay is currently working with this contractor in the area and feels that they are capable of completing the work and recommends award of the contract to C.F. McDonald Electric Company. The base bid of \$883,869.00 exceeded Brown & Gay’s preliminary estimate of \$832,000 without contingencies by about 6%.

Upon motion by Director Wilkinson, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer’s Report, to approve Pay Estimate No. Four from Insituform Technologies in connection with phase three of the sanitary sewer rehabilitation in the amount of \$134,614.46 and authorize payment of same, to approve Pay Estimate No. One from Insituform Technologies in the amount of \$81,173.88 in connection with the emergency force main repairs and authorize payment of the District’s share of this pay estimate (\$46,106.76), and to award the contract for the installation of the Natural Gas Generators at the District’s water plants and lift stations to the low bidder, C.F. McDonald Electric Company, for \$883,869.00.

14. **Review and authorize capacity commitments.** Ms. Zapletal presented to and reviewed with the Board requests for capacity commitment from Brown & Gay (Tuscan Village) and Brewer & Escalante (Wells Fargo Bank), copies of such requests are attached to the Engineer’s Report. Ms. Zapletal reported that the District has sufficient water capacity to serve the projects and, with the pooled wastewater treatment plant capacity, also has sufficient wastewater treatment capacity to serve the projects. Upon motion by Director Wilkinson, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of capacity commitment letters to Brown & Gay for the Tuscan Village patio homes and to Brewer & Escalante for Wells Fargo Bank.

15. **Approve and authorize execution of Amendment to Contract for Parkside at Kingwood Glen Waste Transportation.** The Board reviewed a draft of the Amendment of the Contract with Harris County MUD No. 151 (“No. 151”) for Parkside at Kingwood Glen Waste Transportation, a copy of which is attached hereto as Exhibit “M.” Ms. Christensen stated that the Contract has been amended to reflect the revised pro-rata shares of ownership capacity in the shared sanitary sewer lift station no. four on Kings Oak Lane, the 10-inch wastewater collection line, and the six-inch force main shared with No. 151. Upon motion by Director Stine, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Amendment to Contract for Parkside at Kingwood Glen Waste Transportation.

16. **Discuss and take any action in connection with District Communications.**

The Board reviewed the proposal from Payne Communications for Community Relations Services, a copy of which is attached hereto as Exhibit "N." Upon motion by Director House, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the of the proposal from Payne Communications.

Ms. Wynn presented to and reviewed with the Board a 'Topic Outline' for the newsletters, the proposed article for the website – 'Hurricane Preparedness', and a summary of the costs for printing of the quarterly newsletter, copies of which are attached hereto as Exhibit "O." Discussion ensued. Director Hughes stated that he is the contact person for the website. It was the consensus of the Board to have the newsletters printed in four colors. It was also the consensus of the Board to review the proposed website article for approval at the next meeting. Ms. Wynn stated that she will send the proposed website articles out prior to Board meetings so that the Board has sufficient time to review prior to approving for posting on the website.

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 October 19, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)