

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 20, 2007

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 December 20, 2007 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 except Directors Hughes and House. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Fredia Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal and Mr. John Dreahn of Brown & Gay Engineers, Inc., engineer for the District; Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and members of the public. A sign- in sheet is attached hereto as Exhibit “A.”

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 “B”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of November 15, 2007, previously distributed to the Board, were presented for approval. 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 the minutes of the meeting of November 15, 2007, as presented.

2. **Receive comments from the public.** Mr. Henderson stated that the May, June, July, August and October 2007 minutes have not yet been posted on the website. Director Wilkinson stated that she will contact Ms. Wynn to ensure that the minutes are posted on the website. Mr. Henderson inquired when the election calendar will be posted on the District’s website. Ms. Christensen stated that once the Secretary of State releases the May 10, 2008 election calendar, the District will post a link to the calendar.

3. **Review Bookkeeper’s Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper’s Report for the month ending December 20, 2007 and the Investment Report, copies of which are attached hereto as Exhibit “C.”

Director Stine presented to and reviewed with the Board a revised summary of electricity usage, a copy of which is attached hereto as Exhibit "D." Director Stine noted that the bookkeeper is currently using the base price per kWh instead of taking the total price that the District pays and dividing it by the usage. Ms. Conley stated that she will revise the report accordingly.

Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report for November 2007, to approve the Investment Report, and to authorize payment of check numbers 5898 through 5943 from the Operating Account, all as listed in the Bookkeeper's Report.

4. **Review Tax Collector's Report and authorize payment of certain bills.** The Board reviewed the Tax Assessor and Collector's Report for November 2007, a copy of which is attached hereto as Exhibit "E." It was noted that 98.04% of the District's 2006 taxes and 0.649% of the District's 2007 taxes had been collected as of November 30, 2007. 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 the Tax Assessor and Collector's Report and to authorize payment of check numbers 1229 through 1233 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

5. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Reports for November 2007, a copy of which is attached hereto as Exhibit "F." Mr. Mensik reported that 99.35% of the water pumped was billed for the month ending November 27, 2007.

Mr. Mensik reported that the valve survey has been completed and he reviewed with the Board a summary of recommendations for physically locating buried valves, a copy of which is attached hereto as Exhibit "G." Discussion ensued regarding utilizing capital project funds to pay for locating the buried valves (estimated to be \$104,600).

Mr. Mensik reviewed with the Board a proposed contract for legal services with Margaret Poissant for collection of old water accounts, a copy of which is attached hereto as Exhibit "H." Mr. Mensik stated that he will contact Ms. Poissant to further discuss preparation of a contract with the District for the monthly water account collections.

Mr. Mensik reported that he is in the process of obtaining cost estimates for the repairs of the concrete fence at water plant no. one.

Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination to delinquent accounts, and to authorize ST to proceed with the valve repairs and to fund such repairs (\$104,600) with capital projects funds.

6. **Amend Rate Order to clarify commercial tap fees.** Ms. Cogburn reported that she recently met with Mr. Mensik and Ms. Zapletal regarding the fees charged to commercial developments for the installation of taps. Ms. Cogburn noted that current commercial development in the District (specifically the Kohl's shopping center) is requiring more than one

tap and peripheral equipment to get water to the establishments. Mr. Mensik stated that this causes problems is calculating the appropriate tap fees for such commercial properties. Ms. Cogburn recommended that the Rate Order be amended to clarify the definition of a tap as all the physical components and the labor necessary provided by the District to install all such components to provide water to the parcel served by such tap. Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize an amending the District's Rate Order to clarify the definition of a tap.

7. **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," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Retail space on Atascocita Road [now known as Atascocita Center] (1.0827 acres): Since the last meeting, Brown & Gay received the request for capacity and construction plans for review. The proposed water and sewer lines shown on the civil drawings do not match the proposed facilities on the plumbing drawings. Brown & Gay is coordinating with ST to finalize comments on the plans. Comments will be returned to the engineer and contractor upon the Board's approval of the capacity commitment.
- b. Shops at Atascocita: The revised construction plans have been reviewed by Brown & Gay and will be approved upon the Board's approval of the capacity commitment.
- c. Atascocita Commons Phase III, IV and V: BGE and ST are awaiting receipt of revised construction plans for Phase III (Target) from RG Miller Engineers. The backflow prevention for the fire line requires additional detail.
- d. Chateaux at Pinehurst Apartments: Brown & Gay has not received updated construction plans or a letter from the City of Houston and Harris County stating that the original signatures from 2003 are acceptable to those agencies. Brown & Gay had a conference call with the developer and the architect on October 30, 2007 and one with the original engineer on December 13, 2007 (as acknowledged in the attached letter) to discuss the need for documentation of approval by the City of Houston and Harris County of the use of the 2003-approved construction plans. Brown & Gay also instructed the gentlemen that the capacity commitment would need to be renewed after November 16, 2007 but has not yet received a request for capacity. With the Board's approval in November, the developer will be required to provide Brown & Gay and ST video inspections of the existing sanitary sewer mains to confirm the condition of the original construction prior to connecting to the District's sanitary sewer system.
- e. Atascocita Shores Personal Warehouse: Nothing new to report.

- f. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new to report.
- g. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new to report.
- h. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new to report.

Atascocita Joint Operations Board (“AJOB”):

Brown & Gay continues to maintain a compilation of ESFC for each district. The current compilation through November indicates an average daily flow of 4.18 mgd. Rainfall for the month totaled 4.9 inches. Pay Estimate No. 23 from LEM Construction is being processed by Brown & Gay. The remaining balance in the current contract is \$851,814.90 out of the current contract amount of \$10,173,281.75. Brown & Gay submitted the application to renew the WWTP discharge permit to the TCEQ on May 10, 2007. The permit is now under EPA review but has been delayed because the EPA and TCEQ are currently at odds due to a new testing requirement for bacteria monitoring favored by the EPA. Brown & Gay received a letter dated December 4, 2007 from the TCEQ stating that the current permit will remain in full force and will not expire until the TCEQ takes action on the renewal application and that there will be no penalties due to delays by the EPA.

Mr. David Borengasser with Harris County MUD No. 494 previously inquired about purchasing capacity from the Atascocita joint wastewater treatment plant (the “Plant”). The Atascocita joint operations Board (“AJOB”) decided at its meeting on December 17, 2007 that the four districts interested in selling capacity to Harris County MUD No. 494 will share in the sale based on percent of ownership in the Plant. Brown & Gay is working with the attorney for AJOB to determine the percentages.

Discussion ensued regarding when the participating districts in the Plant will be billed according to the new ownership percentages. Ms. Cogburn stated that the participants should be billed in accordance with the new percentages as of the date that the expanded Plant was substantially online and operational. Mr. Mensik stated that the Plant went online November 20, 2007, but ST is verifying such date.

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 the Engineer’s Report.

8. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay received the following capacity commitment requests since the last Board meeting and recommends the Board’s authorization:

- a. On behalf of Ponderosa Land Development, Texas Land Engineers requests approval a capacity commitment to serve 6,050 SF of retail space within the Shops at Atascocita on Atascocita Road in the Atascocita Del Norte Shopping Center. The request, the anticipated utility demand is 2,500 gallons per day of water supply, dry weather flow and wastewater treatment capacity. **ACTION ITEM**

- b. On behalf of Sohab Properties, LLC, Arrow Construction requests approval a capacity commitment to serve 16,400 SF (13,400 SF of retail and 3,000 SF of restaurant) within Atascocita Center at 6725 Atascocita Road. The anticipated utility demand is 9,450 gallons per day of water supply and 6,720 gallons per day of dry weather flow and wastewater treatment capacity. **ACTION ITEM**

Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize capacity commitment letters for the Shops at Atascocita and Atascocita Center.

9. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that the one cost estimate received from contractors for the site work was forwarded to Director House in November 2007 for review.

10. **Discuss and take any action in connection with implementation of GIS System.** Ms. Zapletal reported that Brown & Gay is approximately 60% complete with field surveying work and has been in the field to collect GPS points and has picked up all located and accessible facilities in the residential sections. Brown & Gay will be returning to the neighborhoods to pick up the balance of facilities that were not easily located in phase I of surveying and to access backyards for the sanitary sewer manholes. Brown & Gay has extracted all of the available GIS data for the basemap layers and has created a subdivision layer and populated the database for the layer. Approximately 80% of the utility overall construction plans have been georeferenced for utility reference and information. Brown & Gay is creating the storm sewer utility this week since all of the manholes and inlets have been located.

11. **Renew District Insurance (expires January 24, 2008), including indemnification of Directors.** The Board reviewed the renewal insurance proposal submitted by Anco McDonald Waterworks, a copy of which is attached hereto as Exhibit "G." Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the renewal insurance proposal with Anco McDonald Waterworks, including the optional coverage for law enforcement legal liability, and to approve the District's indemnification of Directors for costs on losses arising from litigation relating to Directors carrying out their lawful duty, to the extent that such costs or losses are not otherwise covered by insurance.

12. **Discuss and take any action in connection with District communications.** Ms. Christensen reported that Ms. Wynn is coordinating with Director Wilkinson on the proposed articles for the next quarterly newsletter.

13. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board a letter from a resident at 20303 Atascocita Shores Drive requesting an installment plan for payment of delinquent 2006 taxes, a copy of such request is attached hereto as Exhibit "K." Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the resident to pay their 2006 taxes (\$1,037.34) in monthly

installments equal to \$225.00. The Board noted that such installment agreement will not apply to the resident's 2007 taxes.

14. **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 January 17, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)