

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 18, 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 Atascocita Country Club, 20114 Pinehurst, Humble, Texas on October 18, 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 Director Hughes. 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. Larry Jones 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. Anthea Moran of First Southwest Company, financial advisor for the District; Ms. Kathy Parks of The Tribune Newspaper; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

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 “A”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of September 20, 2007, 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 September 20, 2007, as presented.
2. **Receive comments from the public.** There were no comments from members of the public at this time.
3. **Public Hearing on Taxation of Goods in Transit.** Discussion ensued. Ms. Cogburn reviewed with the Board the impact of House Bill 621 and The Freeport Exemption on the District.
4. **Adopt Resolution Authorizing Taxation of Goods in Transit.** The Board reviewed the Resolution Authorizing Taxation of Goods in Transit, a copy of which is attached hereto as Exhibit “B.” 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 adopt the Resolution Authorizing Taxation of Goods in Transit.

5. **Review Bookkeeper's Report and Investment Report.** The Board reviewed the Bookkeeper's Report for the month ending October 18, 2007 and the Investment Report, copies of which are attached hereto as Exhibit "C."

Discussion ensued regarding the \$200 fee listed on the bookkeeper's invoice for electronic payment options. It was noted that the Board had not yet approved the electronic payment option. Ms. Conley stated that she will ensure that such charge is credited to the District.

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 accept the Bookkeeper's Report for October 2007, to approve the Investment Report, and to authorize payment of check numbers 5862 through 5880 from the Operating Account, all as listed in the Bookkeeper's Report.

6. **Discuss and take action regarding electricity usage report.** The Board reviewed the electricity usage report included with the Bookkeeper's Report. Discussion ensued.

7. **Review Tax Collector's Report and authorize payment of certain bills.** The Vice President recognized Mr. Keefe, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for September 2007 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 97.74% of the District's 2006 taxes had been collected as of September 30, 2007. 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 Reports and to authorize payment of check numbers 1220 through 1224 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** The Vice President recognized Ms. Moran, who presented to and reviewed with the Board a cash flow analysis (three scenarios) and a recommendation for levying the 2007 tax rate, copies of which are attached hereto as Exhibit "E." The Board reviewed the Order Designating Officer to Calculate and Publish Tax Rate for 2007, a copy of which is attached hereto as Exhibit "F." It was noted that the District has already designated \$500,000 in the maintenance and operations fund as a debt service reserve. In response to a question, Ms. Conley stated that in the future she will have the bookkeeper's report reflect such reserve (both on the budget and the summary page). 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 adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2007, 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).

9. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Reports for September 2007, a copy of which is attached hereto as Exhibit "G." Mr. Jones reported that 92.73% of the water pumped was billed

for the month ending September 30, 2007. In response to questions from the Board, Mr. Jones stated that he will research the possible cause for the lower water accountability over the previous three months.

Mr. Jones reported that GM Services recently performed well performance tests and water well no. one was determined to be in “marginal” condition due to sand. Mr. Jones stated that water well no. two was found to be in “satisfactory” condition. Mr. Jones that performance tests will be performed again in 12 months.

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 Operations Report and to authorize termination to delinquent accounts.

10. **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 “H,” and which follows in substantially the form it was presented:

Construction Plan Review:

- a. Retail space on Atascocita Road (1.0827 acres): In April 2007, Brown & Gay advised the engineer that we have not received a request for a capacity commitment since Brown & Gay provided the information in May and December 2006. To date, Brown & Gay has not received the request for capacity or construction plans for review.
- b. Atascocita Commons Phase III, IV and V: Brown & Gay 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.
- c. Atascocita Commons Phase II Expansion: RG Miller addressed Brown & Gay and ST’s comments yesterday on plans for a retail pad site north of Amegy Bank (7025 FM 1960 E) and for Dress Barn, Famous Footwear, and TJ Maxx (7015, 7021, and 7055 FM 1960 E) west of Palais Royal. The approval letter will be issued upon concurrence by ST.
- d. McDonald’s reconstruction: The metes & bounds description of the area included in the easement granted to McDonalds by the property management company in 1985 includes the area of interest for this project. The construction plans shall be revised to show the installation of the sampling well downstream of the grease trap.
- e. 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.
- f. Atascocita Shores Personal Warehouse (formerly known as Premises Personal Warehouse) at 19940 Atascocita Shores Drive (south of SW corner of FM 1960 East): Nothing new.

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

Atascocita Joint Operations Board Update:

Brown & Gay continues to maintain a compilation of ESFC for each district. The current compilation through September indicates an average daily flow of 4.264 mgd. Rainfall for the month totaled 2.95 inches. LEM did not submit a pay estimate for the wastewater treatment plant this month. The total payments through Pay Estimate No. 21, represent 94% of the revised total contract. BGE submitted the application to renew the WWTP discharge permit to the TCEQ on May 10, 2007. The permit is now in the final comment period and BGE is waiting for the TCEQ to issue the final permit. Mr. David Borengasser with HCMUD 494 has inquired about purchasing capacity from the WWTP and Brown & Gay has received the following responses:

- MUD 46, MUD 106 and MUD 132 do not have excess capacity to sell;
- MUD 109 has excess capacity of 235,000 gpd;
- MUD 153 has excess capacity of 323,300 gpd;
- MUD 151 has excess capacity of 150,000 gpd;
- MUD 152 does have excess capacity but is still reviewing their number to determine the final amount.

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 Engineer's Report.

11. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay has not received any requests for capacity commitment since the last Board meeting.

12. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that Brown & Gay has requested that the contractors provide requested cost estimates. Ms. Zapletal stated that Brown & Gay will forward these costs to Director House upon receipt.

13. **Discuss and take any action in connection with implementation of GIS System.** Ms. Zapletal reported that Brown & Gay presented the proposal for development of a geographic information system ("GIS") of the District's utility lines to Directors House and Wilkinson on September 5, 2007. Ms. Zapletal stated that Brown & Gay would like to schedule a second presentation to the remaining directors and Severn Trent before the next Board meeting. It was the consensus of the Board for the remaining Directors and ST to meet with Brown & Gay on October 25, 2007 at 4:00 p.m. at Brown & Gay's office for the presentation.

14. **Discuss and take any action in connection with District communications.** Ms. Christensen stated that Ms. Wynn is working with Director Hughes on the proposed articles for the next quarterly newsletter. Ms. Christensen reported that the water bill inserts have been delivered to ST to be included in the water bills.

15. **Discuss and take any action in connection with regular meeting location.** Discussion ensued. Ms. Christensen stated that she will contact the Library to determine if the Board can have a standing reservation for the third Thursday of the month.

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 15, 2007.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)