

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 17, 2008

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 April 17, 2008 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 for 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. Frieda 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; Mr. Locke Braly, a developer of land in the District; Ms. Debbie Gibson of McCall, Gibson & Company, PLLC, auditor for the District; Ms. Nikki Wynn of Payne Communications; 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 meetings of March 13 and March 27, 2008, previously distributed to the Board, were presented for approval. 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 minutes of the meetings of March 13 and March 27, 2008, as presented.

2. **Receive comments from the public.** The Vice President recognized Mr. Henderson, who requested that the January and February 2008 minutes be posted on the website. Ms. Wynn stated that she will ensure that the website is updated.

Mr. Henderson inquired about the status of the necessary repairs at the District’s former temporary lift station site at the corner of Atascocita Shores and Tammaron. Mr Henderson was advised the site is now the property of Atascocita Country Club and the District plans to address the restoration in conjunction with negotiations with the Country Club related to the drainage issues in Kings River Estates, Section Four.

3. **Discuss and take any action in connection with District Beautification Committee recommendations.** No members of the Beautification Committee were in attendance at the meeting.

4. **Engage auditor for fiscal year ending May 31, 2008.** The Vice President recognized Ms. Gibson, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending May 31, 2008, a copy of which is attached hereto as Exhibit "C." Ms. Gibson stated that the estimated cost for 2008 is \$16,000-17,500, which is approximately \$2,000 more than last year. Ms. Gibson stated that the additional fees are associated with new auditing standards. Ms. Gibson presented to and reviewed with the Board information in connection with such new auditing standards, a copy of which is attached hereto as Exhibit "D." 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 engage McCall, Gibson & Company, PLLC to perform the District's audit for fiscal year ending May 31, 2008, and to authorize the Vice President to execute the auditor engagement letter.

5. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending April 17, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "E." Discussion ensued regarding the budget comparison for fiscal year ending May 31, 2008, a copy of which is attached to the Bookkeeper's Report. 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 accept the Bookkeeper's Report for the period ending April 17, 2008, to approve the Investment Report, and to authorize payment of check numbers 6016 through 6052 from the Operating Account and check number 5048 from the Capital Projects Fund, all as listed in the Bookkeeper's Report.

6. **Adopt budget for fiscal year ending May 31, 2009.** Director Stine reviewed with the Board the proposed budget for fiscal year ending May 31, 2009, a copy of which is attached hereto as Exhibit "F." Discussion ensued regarding the proposed budget. Director Stine recommended that the Board and consultants review the proposed budget and provide any input to him prior to the next Board meeting.

7. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Report and the delinquent tax attorney's report for March 2008, a copy of which is attached hereto as Exhibit "G." It was noted that 95.19% of the District's 2007 taxes had been collected as of March 31, 2008. 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 1271 through 1278 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Authorize delinquent tax attorney to enforce collection of delinquent taxes.** Mr. Keefe noted that the District has a contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes. 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 authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to collect delinquent 2007 taxes pursuant to the terms of such contract.

9. **Discuss arbitrage rebate issues and engage Arbitrage Compliance Specialists, Inc. to review bonds.** Ms. Cogburn reviewed with the Board an engagement letter from Arbitrage Compliance Specialists, Inc., including a proposed budget for reviewing the District's bond issues for compliance with arbitrage requirements, a copy of which is attached hereto as Exhibit "H." Ms. Cogburn stated that Arbitrage Compliance Specialists is proposing to monitor each bond issuance to insure compliance with yield restrictions. She noted that the estimated budget is \$5,040 (not including the cost for the necessary arbitrage calculations) and may be paid from the Capital Project Fund. Ms. Cogburn reported that Arbitrage Compliance Specialists will set up a monitoring system for the District's bond issuances and evaluate if further analysis is required. 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 engaging Arbitrage Compliance Specialists to monitor the District's compliance with yield restriction requirements.

10. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Reports for March 2008, a copy of which is attached hereto as Exhibit "I." Mr. Jones reported that 97.94% of the water pumped was billed for the month ending March 22, 2008.

Mr. Jones stated that Mr. and Mrs. Shirley, who reside at 20530 River Side Pines, are requesting a waiver of a portion of their outstanding water bill amount totaling \$632.43. It was noted that the Board cannot legally waive any valid water usage charges.

Mr. Jones reported that during the valve survey, ST located a broken valve on Pinehurst Shadows. Mr. Jones noted that three large pine trees in the front yard near the valve will need to be removed in order to repair the valve. Mr. Jones stated that if there are any necessary repairs in the future that require use of such valve, approximately ten residences will be without service while the repairs are made. It was the consensus of the Board to address any future repair situations if and when they arise.

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.

11. **Authorize Engineer to advertise for bids for replacement of concrete fence at water plant no. one.** Ms. Zapletal reported that TBG Partners ("TBG") expects to provide the landscaping and fence exhibit and elevations to Brown & Gay early next week. Ms. Zapletal noted that TBG and Brown & Gay will combine construction observation duties and TBG will approve the contractor's submittals pursuant to the contract specifications. Ms. Zapletal stated that Brown & Gay received the Board's authorization in March to advertise for bids upon completion of the exhibits, which is expected next week, and review/approval of the exhibits and details by Director Stine.

12. **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. Atascocita Center (1.0827 acres): Comments were returned to the contractor, who has been the point of contact for the project. Taps have not yet been allowed but ST discovered an active water connection, which was disconnected. A grease trap and new manhole have also been installed without prior approval of Brown & Gay and ST. The revised utility plan received in March was sealed by a different engineer from the original set and conflicted with the plumbing plan and other sheets in the original plan set. Additionally, the recorded water meter easement received from the Harris County Clerk's Office did not include either of the required and referenced exhibits. Brown & Gay forwarded the recorded easement to the contractor and the owner's realtor for correction.
- b. Atascocita Commons Phase IV Pad Site (Comerica Bank on 0.9058 AC): The revised construction plans have been received from Kimley-Horn and Associates, Inc. for approval.
- c. Atascocita Commons Phase III: Nothing new regarding Phase III construction. 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. However, Brown & Gay has received waterline easement metes and bounds descriptions for preparation of waterline easements within Atascocita Commons. These waterline easements are in addition to those dedicated with the original recorded plats and will be granted in the name of the District.

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 F&J to prepare the necessary water line easements for Atascocita Commons.

- d. Chateaux at Pinehurst Apartments: Brown & Gay has received confirmation from the City of Houston that updated signatures are not required for the construction plans. Brown & Gay is still awaiting confirmation from Harris County. Brown & Gay received a request to renew the capacity commitment that expired November 16, 2007. 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. La Quinta Inn & Suites (2.837 AC on Atascocita Road east of Town Center Boulevard): As reported to Brown & Gay in March by the project's engineer, ICMC Group, Inc. is preparing utility construction plans for 61 guest rooms for potential submittal to Harris County and Brown & Gay in April or May.

- f. Rowland Interests: Bury+Partners is the project engineer for the development of this property as Atascocita Business Park. Mr. Rowland submitted for capacity commitment renewal this month.
- g. Northeast corner of Atascocita Road and Town Center Boulevard: Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- h. Southwest corner of FM 1960 East & Atascocita Shores: Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- i. Atascocita Shores Personal Warehouse: Nothing new.
- j. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- k. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- l. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Atascocita Joint Operations Board: Brown & Gay continues to maintain a compilation of ESFC for each district. The current compilation through March indicates an average daily flow of 4.0 mgd. Rainfall for the month totaled 3.6 inches. Pay Estimate No. 25 and Final in the amount of \$244,051.12 was approved by AJOB for payment to LEM Construction in March. Construction of the expansion is complete. Severn Trent is keeping BGE aware of any problems with the new equipment and we are working with the equipment representatives to make the adjustments and repairs. Since the equipment is under warranty, the work is being done by the equipment representatives at no charge.

The application to renew the WWTP discharge 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.

AJOB is currently studying costs for wastewater treatment plant and the trunk sewer main costs to determine the appropriate purchase price per gallon for the 430,000 gallons of treatment requested by HCMUD 494.

13. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay received the following capacity commitment requests and recommends the Board's authorization:

- a. On behalf of J&K Interests and SCS Residential Partnership, Kona Interest Group requests approval of a capacity commitment renewal to serve 200 apartment units within the proposed Chateaux at Pinehurst. The anticipated utility demand is 53,990 gallons per day of water supply and 44,990 gallons per day of dry weather flow and wastewater treatment capacity.
- b. Atascocita Lutheran Church is requesting an increase of 1.3 ESFC for service to a new Sanctuary and conversion of existing Sanctuary to four preschool classrooms. The anticipated total utility demand is 1,008 gallons per day of water supply and 717 gallons per day of dry weather flow and wastewater treatment capacity. Brown & Gay requests input on the District's policy of Capital Recovery Fees to purchase the capacity since the Church is a non-taxable entity.
- c. Rowland Interests, L.P. requests approval of a capacity commitment renewal to serve Atascocita Business Park (including Rowland/Ballard Dance and Gymnastics Facility). The anticipated utility demand is 5,000 gallons per day of water supply and 4,000 gallons per day of dry weather flow and wastewater treatment capacity.

Discussion ensued regarding the assessment of capital recovery fees for tax exempt entities. It was the consensus of the Board to not calculate or assess a capital recovery fee for tax exempt entities requiring minimal capacity.

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 capacity commitment renewal for the Atascocita Business Park and capacity commitment letters for the proposed Chateaux at Pinehurst apartment complex and the Atascocita Lutheran Church.

14. Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4. Ms. Zapletal reported that the construction plans and drainage area maps for the Harris County MUD 151 residential areas adjacent to the District were received the last week in March and the first week of April. Ms. Zapletal stated that Brown & Gay also requested the maps of utilities from the private utility companies (electric, gas, cable, telephone) for comparison to the survey data obtained in the field and maps from CenterPoint have been received. Ms. Zapletal stated that she met with Director House and Mr. Braly on April 3, 2008 to provide an intermediate update on the findings of the drainage considerations for the entire regional area. Upon review of the information obtained and regional topographic data, Brown & Gay has noted that there is approximately 14 acres southwest of Kings River Estates, Section 4 ("KRE4") that contribute to the storm runoff sheetflow pattern flowing toward KRE4. Ms. Zapletal noted that because of this increased volume of runoff, Brown & Gay met with F&J for concurrence of the District's ability to participate in the construction of a berm and diversion swale to protect KRE4 from this sheetflow. With approval of the concept by Harris County, the proposed diversion swale would be constructed behind the western lots and outfall to the existing dual 24-inch pipes and a proposed additional 36-inch pipe crossing Kings River Drive to accommodate the volume of sheetflow. Brown & Gay estimates this construction cost to range between \$65,000 and \$75,000. Brown & Gay requests the Board's authorization to proceed with construction plans and easement coordination with the golf course and/or residents as necessary, contingent upon Harris County's conceptual approval of this proposed drainage plan. 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 authorize Brown & Gay to proceed with preparation of the construction plans and coordinating with the golf course and residents regarding obtaining the necessary easements, contingent upon Harris County's conceptual approval of the drainage plans.

Ms. Zapletal noted that the storm drainage internal to KRE4 has been preliminarily designed and the estimated cost to prepare to provide piped storm water conveyance to the existing outfall ditch north of Kings River Drive is approximately \$250,000. Ms. Cogburn noted that the District has typically reimbursed developers 70% of the cost in connection with the construction of underground utilities. Discussion ensued regarding the HOA for KRE4 contributing the remaining 30% of the construction costs for the project. Ms. Zapletal noted that an additional 10-foot-wide easement from each lot owner dedicated to storm sewer mains will be required for construction. Ms. Zapletal stated that Brown & Gay tried to align the storm sewer in a manner that minimizes the number of new storm manholes that will be required along Kings Crown Court. Ms. Zapletal stated that because of the existing private utilities that also lie adjacent to the roadway in the 14' A.E. & U.E. and the 10' CenterPoint U.E., Brown & Gay will attempt to meet with CenterPoint regarding the conceptual design and permission to cross their easement or construction within their easement if possible. Ms. Zapletal stated that construction of the proposed internal storm sewer will also require excavation in the existing outfall ditch to facilitate the depth of the proposed pipes. It was the consensus of the Board that the HOA indicate that they will pay for 30% of the construction costs and engineering fees for the project prior to proceeding. In response to a question, it was noted that the HOA would maintain the new drainage facilities.

15. Discuss and take any action in connection with implementation of GIS System. Ms. Zapletal reported that data entry continues to be the focus of work on the GIS and will be the most time-intensive part of the project. The field work for the GPS is 85% complete. Brown & Gay will return to survey the balance of facilities (mostly gate valves being raised by ST) that were not easily located in the first two phases of surveying.

16. Discuss and take necessary action in connection with Directors Election, including adopting Policies and Procedures for Announcing Election Results to the General Public. The Board reviewed a draft to the Order Adopting Policies and Procedures for Announcing Election Results to the General Public, a copy of which is attached hereto as Exhibit "K." Discussion ensued regarding the public announcement of tabulation results by the Board Secretary and posting the Election Tally sheets. 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 Order Adopting Policies and Procedures for Announcing Election Results to the General Public, thereby directing the Board Secretary to (1) make the public announcement of tabulation results, (2) post the Election Tally Sheets, and (3) notify each candidate and Board member of the results for the upcoming election and all future elections.

17. Discuss and take any action in connection with District communications. Ms. Wynn reported that the quarterly newsletter will be mailed within a week.

18. **Executive Session pursuant to Texas Government Code Section 551.076 to discuss security matters at District facilities.** The Board did not convene in executive session at this time.

19. **Discuss and take any necessary action in connection with proposal from ADT security services.** Ms. Cogburn stated that ADT has made the requested changes to the security contracts. 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 and authorize the Vice President to execute the revised security contracts with ADT.

20. **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 15, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)