

MINUTES OF MEETING OF BOARD OF DIRECTORS
August 21, 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 Atascocita Country Club, 20114 Pinehurst, Humble, Texas, 77346, on August 21, 2008 at 6:00 p.m.; whereupon the roll was called of the directors, to-wit:

Ray Hughes , President
Tim Stine, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Jerrel Holder, Assistant Secretary

All members of the Board were present except Director Haney. 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. (“*Brown & Gay*”), 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 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 July 10, 2008, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of July 10, 2008, as presented.

2. **Receive comments from the public.** The President recognized Mr. Henderson, who requested that the Board post exhibits to the meeting minutes on the District’s website. Discussion ensued. It was the consensus of the Board to further discuss such item at the next meeting.

The President recognized Mr. Stott, who inquired on the status of the Kings River Estates, Section 4 drainage project. The President noted that such item will be discussed later in the meeting.

3. **Review Bookkeeper’s Report and Investment Report.** The President recognized Ms. Conley, who presented to and reviewed with the Board the Bookkeeper’s Report

for the period ending August 21, 2008 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending August 21, 2008, to approve the Investment Report, and to authorize payment of check numbers 6219 through 6243 from the Operating Account and check number 5078 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

In response to a question from Director Stine, Ms. Conley stated that the line-item for lock-box services should not have been included on the monthly bookkeeping invoice. Ms. Conley stated that she will remove the separate charge.

4. Approve and authorize execution of Depository Pledge Agreement with Compass Bank. Ms. Cogburn presented to and reviewed with the Board the proposed Depository Pledge Agreement with Compass Bank, a copy of which is attached hereto as Exhibit "D." 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 and authorize execution of the Depository Pledge Agreement with Compass Bank.

5. Review Investment Policy and accept related party disclosures from Bookkeeper and Investment Officer. Ms. Cogburn presented to the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto, a copy of which is attached hereto as Exhibit "E." It was the consensus of the Board to table this item, and to have F&J send the Directors' a copy of the current Investment Policy.

Ms. Conley stated that she will provide F&J a completed memorandum disclosing to F&J her relationships with any entities or individuals that have sold or seek to sell investments to the District.

6. Approve Arbitrage Calculation report in connection with Series 1993 Bonds. Ms. Cogburn reviewed with the Board the Arbitrage Rebate Report for the District's Series 1993 Bonds, a copy of which is attached hereto as Exhibit "F." Ms. Cogburn noted that there was no final rebate payment due to the IRS with respect to the Series 1993 Bonds for the final computation period. Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Arbitrage Rebate Report for the District's Series 1993 Bonds.

The Board reviewed an engagement letter from Arbitrage Compliance Specialists, Inc. for arbitrage rebate computations in connection with the District's Series 2003 Refunding Bonds, a copy of which is attached hereto as Exhibit "G." Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the proposal from Arbitrage Compliance Specialists to perform the arbitrage rebate calculation on the Series 2003 Refunding Bonds and to authorize payment to the Internal Revenue Service ("IRS") of the amount calculated as being due to the IRS.

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 July 2008, a copy of which is attached hereto as Exhibit "H." It was noted that 97.6% of the District's 2007 taxes had been collected as of July 31, 2008. Upon motion by Director Holder, 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 1313 through 1322 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.** It was noted that the tax assessor and collector has not yet received the 2008 certified tax roll for the District. The Board tabled this item until the next meeting.

9. **Discuss and take action in connection with follow-up letter from Mr. Walter Smith.** It was the consensus of the Board to table such item until the next Board meeting.

Director Hughes noted that he and Mr. Mensik have not yet discussed the follow-up letter from Mr. Smith regarding his concerns with the District's procedures in connection with driveway repairs and asked Mr. Jones to provide information from ST on this matter.

10. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for June 2008, a copy of which is attached hereto as Exhibit "I." Mr. Jones reported that 98.8% of the water pumped was billed for the month ending July 23, 2008.

In response to a question from Director Holder, Mr. Jones stated that he will determine why the District was charged for locating a meter that was buried without a meter box and surrounded by concrete and installing a new meter box (7503 Kings River Court).

Director Holder inquired about the numerous "illegal usage" work orders. Director Hughes stated that he is the District's appointed Peace Officer and must be notified by the District's operator in a timely manner of any illegal usage or theft of service or any other illegal activity affecting the District. He also noted that he has repeatedly asked ST to provide such information.

Upon motion by Director Stine, seconded by Director Holder, 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 serve to delinquent accounts.

11. **Award contract for replacement of concrete fence at Water Plant No. One.** Ms. Zapletal reported that Tolunay-Wong Engineers, Inc. ("TWEI") provided a draft memo of the geotechnical findings this week. The draft is being reviewed by Brown & Gay and TBG Partners. Once the geotechnical investigation is finalized, the foundations for the fences will be updated as necessary in the construction plans and the project advertised for bids.

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 "J," and which follows in substantially the form it was presented:

Construction Plan Review:

- a. 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.
- b. 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 awaiting Harris County's concurrence that the 2003 plans are acceptable for re-permitting. 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.
- c. La Quinta Inn & Suites (2.837 AC on Atascocita Road east of Town Center Boulevard): The project's engineer, ICMC Group, Inc., is preparing utility construction plans for 61 guest rooms. No plans have been received to date.
- d. Rowland Interests: Bury+Partners is the project engineer for the development of this property as Atascocita Business Park. No plans have been received to date.
- e. Atascocita Lutheran Church: No plans have been received to date.
- f. Northeast corner of Atascocita Road and Town Center Boulevard: In May, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- g. Southwest corner of FM 1960 East & Atascocita Shores: In May, Benchmark Engineering was provided utility and drainage plans in the vicinity of the undeveloped tracts.
- h. Atascocita Shores Personal Warehouse: Nothing new.
- i. Residential/commercial construction at FM 1960 East & Atascocita Shores: Nothing new.
- j. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new.
- k. 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 the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. The current compilation

through July 2008 indicates an average daily flow of 4.26 mgd, or 264 gpd per ESFC. Rainfall for the month was 4.1 inches.

The EPA review of the permit is complete, and the draft permit should be issued soon. The TCEQ has notified Brown & Gay that they will add bacteria monitoring to the draft permit but no limits. The TCEQ proposed the following changes to the permit, and Brown & Gay has no objections:

- Revised E.Coli monitoring requirements of once per week;
- Revised the definition for calculating the bacteria concentration;
- Added requirement that the permittee be placed on notice that the Executive Director of the TCEQ will be initiating rulemaking and/or changes to procedural documents that may result in bacterial effluent limits and monitoring requirements for the facility.

ST is keeping BGE aware of any problems with the new WWTP equipment and Brown & Gay is coordinating with the equipment representatives to make the adjustments and repairs. Work under warranty is being done by the equipment representatives at no charge and some items relating to the new blowers, controls and programming are being addressed by the contractor

13. Acceptance of water line and fire hydrant easements in connection with Atascocita Commons Phase III. Ms. Zapletal reported that Brown & Gay is awaiting receipt of the signed easements from Trammel Crow and Target.

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

15. Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4. TWEI has been given copies of the executed proposal and authorization to proceed with the geotechnical investigations and report services for the diversion swale project and the storm sewer improvements project in Kings River Estates, Section 4 (“KRE4”).

With this report, Brown & Gay is providing the drainage calculations and exhibits that Harris County Engineering responded agreeably to in June, 2008. With approval of the concept by Harris County, the proposed diversion swale will be constructed behind the western lots and outfall to the existing drainage channel. Brown & Gay and Director House met with representatives of the Atascocita Golf Course on July 22, 2008 to review the options for the swale and berm alignments and the potential impact to the treeline and limits of play on the golf course. The attached exhibit, which is based on the agreed alignment, has no impact to the limits of play and will not destroy any trees that the golf course would want preserved. The representatives of the golf course had little objection to the treed areas that will require clearing to accommodate the swale and berm construction along the proposed corridor. The exhibit is also being provided to the Mr. Ralph Smith for concurrence from the golf course. The easement documents for the golf course and any residents will be drafted.

Brown & Gay requests the Board's consideration of installing a locking gate at the termination of the swale and berm at Kings River Drive to restrict unauthorized motorized vehicles and pedestrians from entering the swale area. Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the installation of a locking gate at the termination of the swale and berm at Kings River Drive in an effort to restrict unauthorized motorized vehicles and pedestrians from entering the area.

Brown & Gay is continuing with preparation of the construction plans for the swale and internal KRE4 storm sewer design and will obtain agency approvals necessary to advertise for bids. Upon receipt of the bids, the KRE4 HOA will be required to deposit its share (30%) of the construction costs prior to award of the contract.

16. **Status update on implementation of GIS System.** Discussion ensued regarding where the GIS presentation should be given in light of the security concerns. It was the consensus that the presentation be given in executive session after the next Board meeting at the Country Club.

17. **Discuss and take any action in connection with District communications.** Director Hughes stated that he is coordinating with Ms. Wynn regarding the proposed article list for the third quarterly newsletter. Director Hughes stated that he has requested that the District's Consumer Confidence Report be included in the next newsletter.

Director Holder stated that he visited with Certified Payments Co. at the AWBD Conference, and they stated that the District has been set up to accept credit card payments. It was noted that the Board has not authorized credit card payments for water bills and directed ST to determine whether the District was set up for credit card payments without authorization.

18. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** At 6:35 p.m., the Board convened in executive session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.

19. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** At 6:40 p.m., the Board convened in executive session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security matters.

The Board reconvened in open session at 6:45 p.m.

Upon motion by Director House, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to reject the Settlement Offer from Sarges Fireworks.

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 October 16, 2008.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)