

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 17, 2005

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 offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 at 12:00 p.m. on March 17, 2005; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Andy Armstrong, Secretary/Treasurer
Bobby Haney, Assistant Secretary
David Johnson, Assistant Secretary

All members of the Board were present except Director Armstrong. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Rick Foster of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc., engineer for the District; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District.

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 “A”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meetings of February 10, February 17, and March 2, 2005, previously distributed to the Board, were presented for review and approval. Upon motion by Director Johnson, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of February 10, February 17, and March 2, 2005, as presented.

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

Director Johnson expressed concern that the Board would not be able to follow-up with the residents who attended the public hearing held on March 2, 2005 because the hearing “sign-in” sheets are missing. Director Johnson inquired whether any of the other Board members or District consultants have the “sign-in” sheets. The Board members and consultants noted that they had not seen the “sign-in” sheets since the evening of the public hearing.

3. **Discuss and take any action in connection with creation of a District website and additional District communications, including engaging a public affairs consultant.** The Board reviewed proposals for the creation and management of websites from WaterDistrict.com and Alexander Internet Services, copies of which are attached hereto as Exhibit “B.” Extensive discussion ensued regarding the creation of a website and engaging a

public affairs consultant. Upon motion by Director Hughes, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to engage WaterDistrict.com to create and maintain a District website (Plan C – Full Site) and to engage WaterDistrict.com/Payne Communications to serve as a public affairs consultant for the District. It was the consensus of the Board for Director Hughes to coordinate with a representative of WaterDistrict.com regarding the creation of the website and other District communications.

4. **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 “C.” Ms. Kelly noted that she is still holding three checks payable to Cherry Engineers. Discussion ensued. It was the consensus of the Board to void all three checks upon confirmation from F&J that the settlement agreement with Cherry Engineers provided that such monies were not to be paid. Upon motion by Director Johnson, 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, to approve the Investment Report, and to authorize payment of check numbers 4811 through 4850 from the Operating Account, all as listed in the Bookkeeper’s Report.

5. **Consider selling groundwater certificates.** Ms. Cogburn noted that she recently received a call from a representative of Altavia Corp regarding interest in purchasing any original or “Type A” groundwater credits issued from the Harris Galveston Coastal Subsidence District. Ms. Cogburn stated that the District has 15,078,000 original “Type A” groundwater credits. Discussion ensued. It was the consensus of the Board to not sell any such groundwater credits at this time.

6. **Review Tax Collector’s Report and authorize payment of certain bills.** Mr. Foster presented to and reviewed with the Board the Tax Assessor and Collector’s Report for February, 2005, a copy of which is attached hereto as Exhibit “D.” Mr. Foster noted that 92.81% of the District’s 2004 taxes had been collected as of February 28, 2005.

Mr. Foster presented to and reviewed with the Board a proposed Addendum to the Agreement for Services of Tax Assessor Collector for any services performed in connection with the District’s Strategic Partnership Agreement (“SPA”) with the City of Houston, a copy of which is attached hereto as Exhibit “E.” Mr. Foster stated that such addendum allows for the District to be invoiced for each SPA audit performed by Bob Leared Interests at a cost of \$100 per hour (an amount not to exceed \$1,500). In response to a question, Ms. Cogburn noted that Bob Leared Interests current contract provides for a consulting fee of \$75.00 per hour. It was the consensus of the Board to have Bob Leared Interests perform the SPA audits at an hourly rate pursuant to the existing tax assessor and collector contract.

Upon motion by Director Hughes, seconded by Director Johnson, 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 1347 through 1359 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Operations Report and Billing and Collecting Report.** The President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report and a list of the delinquent accounts, copies of which are attached hereto as Exhibit “I.” Mr.

Mensik reported that 98.73% of the water pumped was billed for the month ending February 18, 2005.

Mr. Mensik noted that item numbers three and five under "Sewer Line Maintenance" of the Operations Report were performed by ST in preparation for the TCEQ inspection of Kings River Estates, Sections Three, Four and Six. Discussion ensued. It was the consensus of the Board to backcharge the developer for such work and to have F&J hold the reimbursement check to Kings River II Ltd. until such time as the backcharges have been paid.

Ms. Cogburn updated the Board on F&J's and ST's efforts to obtain contact information for the person who caused the damage to the fire hydrant at 8415 Pines Place in 2002. Discussion ensued. Director Hughes stated that he will review the documentation and attempt to obtain a contact address for the person who caused the damage.

Mr. Mensik requested permission to write off two accounts totaling \$31.42 and to turn over to collections one account totaling \$57.33.

Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report, to authorize termination of service to delinquent accounts and to authorize ST to write off two accounts totaling \$31.42 and to turn over to collections one account totaling \$57.33.

Mr. Mensik presented to and reviewed with the Board a letter from Ms. Christina Haynie, a resident of the District at 20511 Spoonwood Drive, requesting a refund of \$120.00 for termination of water service, a copy of which is attached hereto as Exhibit "G." Mr. Mensik noted that he will obtain the payment history for such account and additional information relating to the statements in such letter for the Board to review at the next Board meeting.

8. **Status report on flow meters.** Mr. Mensik noted that the flow meter at lift station no. one registered 306 gallons per day per equivalent single family connection ("ESFC") last month. Mr. Mensik reported that the flow meter at lift station no. two registered 444 gallons per day per ESFC last month. Mr. Mensik noted that the area where the flow meter is registering 444 gallons per day per ESFC is the area that where the sanitary sewer lines are currently being televised.

9. **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."

Ms. Zapletal reported that ST has completed the necessary repairs to the facilities in Kings River Estates, Sections Three, Four and Six. Ms. Zapletal noted that the pre-purchase inspection by the TCEQ was conducted on Wednesday, March 16, 2005 and no deficiencies were found.

Ms. Zapletal reported that phase one of the sanitary sewer rehabilitation is progressing. Ms. Zapletal reported that, per the Board's direction at the last Board meeting, Brown & Gay has prepared Change Order No. Two in the amount of \$25,283.60 and presents such to the Board for approval, a copy of which is attached to the Engineer's Report. Ms. Zapletal noted that, weather permitting, the work in connection with Change Order No. Two can be completed with two weeks and the TCEQ inspection can be scheduled for the entire project. Ms. Zapletal reported that Brown & Gay has received and is currently reviewing Pay Estimate No. Four in connection with the project. Upon motion by Director Johnson, seconded by Director Haney, after full

discussion and the question being put to the Board, the Board voted unanimously to approve Change Order No. Two in the amount of \$25,283.60 and to authorize Brown & Gay to submit such change order to the TCEQ.

Ms. Zapletal reported that Brown & Gay plans to submit construction plans for phase two of the sanitary sewer rehabilitation to Harris County for approval by the end of March.

10. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that Brown & Gay has not received any requests in the past month regarding capacity commitment or capacity availability information.

11. **Approve proposal for engineering services related to the installation of an additional pump at lift station no. four.** Ms. Zapletal stated that lift station no. four, which is shared with Harris County MUD No. 151, requires necessary improvements in order to provide sanitary sewer service to a 44-acre commercial tract north of FM 1960 and west of Kings Park Way. Ms. Zapletal noted that the Brown & Gay has prepared the proposal for engineering services but understands that the development project has been delayed due to platting issues with Harris County. Ms. Zapletal stated that she will present an engineering proposal and construction cost estimate at a future Board meeting.

12. **Adopt Order Authorizing Application to the Texas Commission on Environmental Quality (“TCEQ”) for Approval of Project and Issuance of Bonds and approve Application for same.** Ms. Zapletal reported that she had previously reviewed with the Board the Bond Application Engineering Report, including the summary of costs, for bond issue number seven.

Ms. Cogburn presented to and reviewed with the Board the Order Authorizing Application for Approval by TCEQ for Project and Issuance of Bonds and the Application for same, copies of which are attached hereto as Exhibit “I.” Upon motion by Director Hughes, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Authorizing Application to TCEQ for Approval of Project and Issuance of Bonds and the Application for same, including authorizing the engineer to submit the Bond Application to the TCEQ.

13. **Approve revised Drought Contingency Plan (due May 1, 2005).** Ms. Zapletal reported that Brown & Gay is currently preparing the revised Drought Contingency Plan and will present it to the Board at the next meeting for review and approval.

14. **Approve and authorize execution of Pooling Agreement and Agreement for Expansion of the Wastewater Treatment Plant in connection with wastewater treatment capacity.** Ms. Cogburn presented to and reviewed with the Board the Pooling Agreement and Agreement for Expansion of the Wastewater Treatment Plant (the “Plant”), copies of which are attached hereto as Exhibit “J” and “K.” Discussion ensued regarding the possibility of the Atascocita Joint Operations Board holding monthly “on-site” construction meeting every month, in addition to the regular meeting, for reviewing the status of the Plant expansion project with the engineer. Upon motion by Director Haney, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Pooling Agreement and the Agreement for Expansion of the Wastewater Treatment Plant.

15. **Discuss and take any action in connection with request from Atascocita Volunteer Fire Department regarding ISO rating.** The Board reviewed an email from Gary Rice of the Atascocita Volunteer Fire Department (“AVFD”) requesting that the Board consider assisting the AVFD in funding a portion of the \$18,500 necessary to prepare an ISO survey, a copy of which is attached hereto as Exhibit “L.” Extensive discussion ensued. Ms. Cogburn stated that the District has no legal basis to spend District funds on AVFD matters. Ms. Cogburn stated that, to the extent that the survey relates to the District’s water system, the District can use District funds to pay for a consultant to prepare such information and that such information would be available to the AVFD. It was the consensus of the Board for F&J to compose and forward an email to Mr. Rice inquiring whether the AVFD or ESD 46 budgeted any funds for the survey and if the AVFD has budgeted the money, what is the source of such funds (voluntary donations, ESD 46 tax revenue, etc.) and requesting a detailed invoice showing whether any portion of the \$18,500 necessary to prepare the ISO survey is directly related to the District's water facilities.

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
April 21, 2005.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)