

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 19, 2006

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 on January 19, 2006 at 12:00 p.m.; whereupon the roll was called of the directors, to-wit:

Marie Wilkinson, President
Ray Hughes, Vice President
Bobby Haney, Secretary
David Johnson, Assistant Secretary
Charlie Berger, Assistant Secretary

All members of the Board were present except Director Haney. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Michelle Guerrero of Bob Leared Interests, tax assessor and collector for the District; Mr. Leroy Mensik of Severn Trent Environmental Services, Inc. (“*ST*”), operator of the District’s facilities; Ms. Amy Zapletal of Brown & Gay Engineers, Inc., engineer for the District; Ms. Anthea Moran of First Southwest Company, financial advisor for the District; Mr. Mike McCall of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Locke Braly of Kings River II, Ltd., developer of land in the District; Mr. Martin Willhoite of the Atascocita Observer Newspaper; Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and two residents of the District. 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 December 15, 2005, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of December 15, 2005, as presented.

2. **Receive comments from the public.** The President recognized Mr. Jack Henderson, who volunteered to serve as an election official in the District’s upcoming Directors election scheduled for May 13, 2006. Mr. Henderson stated that he is very pleased with the District’s website.

Ms. Mary Ann Cashion inquired what the interest rate would be for the District’s bond issuance. Ms. Cogburn reported that the District’s financial advisor would be presenting the bids

later in the meeting. Ms. Cashion requested that any required publications in connection with the election be published in the local newspaper. In response to a question, Director Hughes stated that he is still researching the feasibility of posting financial statements on the District's website. Ms. Cogburn stated that at the time such issue is raised, she is ready to address the Board regarding the legal implications of posting financial information on the District's website.

3. **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." Upon motion by Director Berger, seconded by Director Johnson, 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 5122 through 5177 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 President recognized Ms. Guerrero, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for December 2005 and the delinquent tax attorney report, copies of which is attached hereto as Exhibit "D." Ms. Guerrero noted that 98.92% of the District's 2004 taxes and 41.01% of the District's 2005 taxes had been collected as of December 31, 2005. 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 1024 through 1034 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

5. **Operations Report and Billing and Collections Report.** The President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 98.49% of the water pumped was billed for the month ending December 24, 2005.

Mr. Mensik requested permission to turn five accounts totaling \$689.68 over to collections.

The Board reviewed a letter from a resident, Mr. Jim Gifford, regarding a recurring billing problem, a copy of which is attached hereto as Exhibit "F." Mr. Mensik stated the resident's meter is located near the HOA's irrigation meter and at times the irrigation meter has been read instead of the resident's meter. Mr. Mensik stated that he will be meeting with the manager of the meter reading department today to discuss and rectify such problem.

Upon motion by Director Berger, seconded by Director Johnson, 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 turn five accounts totaling \$689.68 over to collections.

6. **Accept bids on Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006.** The President recognized Ms. Moran, who presented to and reviewed with the Board a bid tabulation of the bidders using the Parity electronic bidding system in connection with the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006 (the "Bonds"), a copy of which is attached hereto as

Exhibit "G." Ms. Moran reported that Bernardi Securities submitted a non-electronic bid with a net effective interest rate of 4.2653%. Ms. Moran noted that the Bonds have been qualified for insurance. Ms. Moran verified the bids and recommended that the Board accept the low bid, with a net effective interest rate of 4.155334%, from UBS Securities LLC. Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to award the sale of the Bonds to UBS Securities LLC. Director Johnson abstained from voting.

7. **Adopt Order Authorizing Waterworks System Combination Unlimited Tax and Revenue Bonds, Series 2006, and a Transfer and Paying Agency Agreement.** The Board reviewed with a proposed Order Authorizing \$5,405,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006 and a Transfer and Paying Agency Agreement, a copy of which is attached hereto as Exhibit H." Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Authorizing \$5,405,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2006 and a Transfer and Paying Agency Agreement, as presented. Director Johnson abstained from voting.

8. **Adopt Order Adopting and Authorizing Execution and Distribution of Official Statement and Ratifying Distribution of Official Notice of Sale, Preliminary Official Statement, and Official Bid Form.** Ms. Cogburn presented to and reviewed with the Board the Order Authorizing Execution and Distribution of Official Statement and Ratifying Distribution of Official Notice of Sale, Preliminary Official Statement, and Official Bid Form, a copy of which is attached hereto as Exhibit "I." Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to Adopt the Order Authorizing Execution and Distribution of Official Statement and Ratifying Distribution of Official Notice of Sale, Preliminary Official Statement, and Official Bid Form. Director Johnson abstained from voting.

The Board reviewed an engagement letter from McCall, Gibson & Company, PLLC in connection with performing the agreed upon procedures described therein, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve the engagement letter from McCall, Gibson & Company, PLLC in connection with performing the agreed upon procedures described therein and to authorize the Board President to execute the letter. Director Johnson abstained from voting.

9. **Approve and authorize execution of Professional Services Contract with Severn Trent Environmental Services.** Mr. Mensik presented to and reviewed with the Board a revised Schedule of Standard Rates, a copy of which is attached hereto as Exhibit "K." Upon motion by Director Hughes, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of an Amendment to the Professional Services Contract with Severn Trent Environmental Services incorporating the new schedule of standard rates.

10. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** This item was tabled until the next Board meeting.

11. **Adopt Order Authorizing Exemptions from Taxation.** The Board reviewed the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "L." 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 Adopt the Order Authorizing Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older, thereby authorizing such exemption in the amount of \$30,000 of appraised value.

It was the consensus of the Board to discuss the implications of adopting a homestead residence tax exemption at the next Board meeting.

12. **Engineer's Report.** Ms. Zapletal presented to the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "M."

Ms. Zapletal reported that Brown & Gay has not yet received plans for Hibernia Bank. Ms. Zapletal stated that the engineer has requested a meeting with Brown & Gay to outline the requirements for utility service.

Ms. Zapletal reported that Johnny Carino's Restaurant has provided plans to Brown & Gay for review and Brown & Gay has provided comments on the plans to the engineer for the restaurant. Ms. Zapletal stated that Brown & Gay has not received revised plans.

Ms. Zapletal reported that the Atascocita Commons (Phase 1) plat is scheduled for recordation on January 24, 2006. Ms. Zapletal reported that the construction plans for the pad sites have been provided and Brown & Gay is awaiting comments from ST on the construction and plumbing plans for Applebee's Restaurant and Panera Bread prior to connections being made.

Ms. Zapletal reported that Brown & Gay has reviewed the preliminary plans for Panda Express. Ms. Zapletal reported that Brown & Gay had requested additional information for final approval, but has not yet received the additional information. Ms. Zapletal noted that if such information is not received within three weeks, service will be terminated.

Ms. Zapletal reported that utility information was requested in connection with the existing Denny's Restaurant. Ms. Zapletal reported that Brown & Gay is trying to locate the requested information.

Ms. Zapletal reported that Brown & Gay received a draft of the plumbing plans in connection with the proposed Mexican Restaurant at 8130 FM 1960 East. Ms. Zapletal stated that the plans have been forwarded to the District's operator for review and comments.

Ms. Zapletal reported that the TCEQ performed the pre-purchase inspection of Kings River Estates, Section Five on December 6, 2005. Ms. Zapletal reported that the final approval to purchase the facilities has not yet been issued.

Ms. Zapletal presented to and reviewed with the Board Pay Estimate No. Five in the amount of \$51,205.95 in connection with Phase Two of the Sanitary Sewer Rehabilitation, a

copy of which is attached to the Engineer's Report. Ms. Zapletal reported that the TCEQ inspection will be conducted next Friday.

Ms. Zapletal reported that ST has provided Brown & Gay with video coverage of approximately 4,365 of liner feet. Ms. Zapletal stated that Brown & Gay estimates the cost for rehabilitation of the deficiencies in the line within Pinehurst of Atascocita Sections Three, Four, Estates of Pinehurst, and Town Center Section One to be approximately \$97,482. A summary of the video footage and cost estimate are attached to the Engineer's Report.

Ms. Zapletal presented to and reviewed with the Board a report in connection with the options for installation of generators at the lift station and water plant sites and the associated costs, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that she will forward such report to Director Haney for review and recommendations.

Ms. Zapletal reported that Brown & Gay has been communicating with the City of Houston regarding the required metering of interconnects. Ms. Zapletal stated she has requested, in writing, confirmation that the City will only require a cursory review of the construction plans and new metering equipment. Ms. Zapletal stated that upon the City's confirmation, Brown & Gay will proceed with construction plans for the interconnect metering.

Upon motion by Director Berger, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve Pay Estimate No. Five in the amount of \$51,205.95 in connection with phase two of the sanitary sewer rehabilitation.

13. **Review and authorize capacity commitment letters.** Ms. Zapletal presented to and reviewed with the Board requests for capacity commitment from K Chen Engineering (Denny's Restaurant) and Texas Engineering and Mapping (Hibernia Bank), copies of such requests are attached to the Engineer's Report. Ms. Zapletal reported that the District has sufficient water capacity to serve both projects and, with the pooled wastewater treatment plant capacity, also has sufficient wastewater treatment capacity to serve both projects. Upon motion by Director Berger, seconded by Director Hughes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize issuance of a capacity commitment letter to K Chen Engineering for a Denny's Restaurant and to Texas Engineering and Mapping for Hibernia Bank.

14. **Status report on the installation of an additional pump at the shared lift station with Harris County Municipal Utility District No. 151 ("No. 151").** Ms. Zapletal reported the pre-construction meeting with G&N Enterprises is scheduled for January 24, 2006 at 2:00 p.m.

15. **Renew District insurance (expires January 24, 2006).** The Board reviewed the insurance renewal proposal from Anco Wessendorff, a copy of which is attached hereto as Exhibit "N." 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 accept and authorize execution of the insurance proposal from Anco Wessendorff, as submitted.

16. **Adopt Order Calling Directors Election.** Ms. Cogburn presented to and reviewed with the Board a draft of the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "O." Ms. Cogburn reported that the District is required to utilize an electronic voting machine at the upcoming Directors Election. Ms. Cogburn reviewed with the Board the "full-service" and "limited service" contract options with Harris County. Ms. Cogburn stated that the "full-service" option will cost approximately \$3,383 per voting machine and the "limited-service" option will cost \$2,674 per voting machine. Ms. Cogburn also reported that at least two election officials will have to attend a four hour training session (provided by Harris County) in connection with the electronic voting machines. Ms. Cogburn also stated that the District has the option of entering into a Joint Election Agreement with the school district. It was the consensus of the Board for F&J to submit notice to Harris County that the District plans to utilize a full service contract with Harris County.

17. **Discuss and take any action in connection with District communications.** Director Hughes reported that there were some glitches with the District website, but they have been corrected by the website host.

18. **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 February 16, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)