

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 18, 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 Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas, 77010 on May 18, 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 Johnson. 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. Kathleen Ellison and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and five 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 April 20, 2006, previously distributed to the Board, were presented for approval. Upon motion by Director Haney, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of April 20, 2006, as presented.

2. **Adopt Order Canvassing Directors Election.** The President reviewed with the Board the election results as recorded on the election tally sheet completed by the election judge. Ms. Ellison noted that the directors had been presented with an Order Canvassing Directors Election, to which the election results should be added. Upon motion by Director Haney, seconded by Director Berger, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Canvassing Directors Election, a copy of which is attached hereto as Exhibit “C.”

3. **Present Certificates of Election and Qualify Directors.** Mr. Stine and Mr. House completed the necessary paperwork qualifying them to serve as Directors. Mr. Stine and Mr. House then executed their Oaths of Office and Statements of Elected Officer.

Mr. Berger congratulated Mr. Stine and Mr. House on their election and thanked the incumbent Board members and the consultants for their dedication and hard work. Mr. Berger then read a statement to the Board, noting that he thought critics of the Board were misguided and that the Board and consultants had done a good job as stewards of the District. The President thanked Mr. Berger for his service on the Board. Mr. Berger then left the meeting.

The President then presented to Mr. Stine and Mr. House Certificates of Election and welcomed them to the Board. Mr. House noted that he did not receive any notice that he had been elected and should attend the meeting.

4. **Election of Officers.** The President then called for the election of officers. She nominated Director Hughes as President, and Director Haney seconded. After full discussion and the question being put to the Board, the Board voted unanimously to elect Director Hughes as President.

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 elect Director Wilkinson as Vice President.

Upon motion by Director Wilkinson, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Haney as Secretary.

By acclamation, Directors Stine and House were elected as Assistant Secretaries.

5. **Receive comments from the public.** The President recognized Ms. Henderson, who inquired why the election results were kept secret until today. Directors Wilkinson and Hughes stated that the election results were unofficial until canvassed by the Board. Ms. Henderson requested that District consider having election results posted immediately after any election. The President stated that, in the future, the Board will find a solution to better notify District residents of election results.

The President recognized Ms. Mary Ann Cashion who thanked the Board for the opportunity to serve as an election clerk. Ms. Cashion noted that the election turnout could have been better if residents had been notified of the election on the water bills. Ms. Cashion then requested that her election official compensation be donated to “friends of the library.” The President noted, with input from Ms. Ellison, that the District is not legally authorized to make charitable donations. Ms. Cashion stated that, in the future, a joint election with the school district would be desirable.

The President recognized Mr. Henderson, who stated that the Board can make charitable donations. Mr. Henderson noted that there was an approximately 5% turnout in the election.

6. **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 “D.” Upon motion by Director Haney, seconded by Director Wilkinson, 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 5278 through 5316 from the Operating Account and check number 5043 from the Capital Projects Account, all as listed in the Bookkeeper's Report.

7. **Adopt budget for fiscal year ending May 31, 2007.** The Board reviewed the proposed budget for fiscal year ending May 31, 2007, a copy of which is attached hereto as Exhibit "E." Upon motion by Director Wilkinson, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the budget for fiscal year ending May 31, 2007.

8. **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 April 2006, a copy of which is attached hereto as Exhibit "D." Ms. Guerrero noted that 92.7% of the District's 2005 taxes had been collected as of April 30, 2006. Ms. Guerrero reported that delinquent notices have been mailed to all delinquent tax accounts. Upon motion by Director Haney, seconded by Director Wilkinson, 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 1060 through 1070 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **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 96.09% of the water pumped was billed for the month ending April 25, 2006.

Mr. Mensik requested permission to turn seven accounts totaling \$791.60 over to collections and to write off one account in the amount of \$22.54.

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 Operations Report, to authorize termination of service to delinquent accounts, and to authorize ST to turn seven accounts totaling \$791.60 over to collections and to write off one account totaling \$22.54.

10. **Approve Consumer Confidence Report.** Mr. Mensik presented to and reviewed with the Board the 2005 Consumer Confidence Report ("CCR"), a copy of which is attached hereto as Exhibit "H." 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 CCR and to authorize the operator to forward the CCR to District customers by July 1, 2006.

11. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** There was nothing to report on this item at this time.

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."

Ms. Zapletal reported that Brown & Gay has provided Mr. Jack Roland, bookkeeper for the wastewater treatment plant, with an estimated new equivalent connection

count of 250 for budgeting purposes. Ms. Zapletal noted that the majority of the new connections will appear as commercial equivalents.

Ms. Zapletal reported that a preliminary review has been conducted in connection with Gurdy's Express Car Wash (Atascocita Road) and comments will be returned to Axis Development today or tomorrow. Ms. Zapletal noted that the owner did include the water reclamation system as proposed in the original presentation to the District last year.

Ms. Zapletal reported that both Brown & Gay and Ms. Cogburn will continue to monitor the left-turn lane request submitted to Harris County by the developers in connection with the Capital One / Hibernia Bank / Fazoli's Tract on West Lake Houston Parkway.

Ms. Zapletal reported that preliminary plan review comments have been returned to CEI Engineering Associates in connection with On the Border Restaurant. Ms. Zapletal noted that Ms. Cogburn reviewed and provided comments on the water meter easement submitted by the restaurant.

Ms. Zapletal reported that utility location information for the retail space on Atascocita Road (south of the Super Wal-Mart) has been provided to an engineer representative for the tract.

Ms. Zapletal reported that she has nothing to report in connection with Denny's Restaurant.

Ms. Zapletal reported that she has nothing to report in connection with the proposed Wells Fargo (FM 1960 East in front of HEB).

Ms. Zapletal reported that she has nothing to report in connection with the residential/commercial construction at FM 1960 East and Atascocita Shores Drive.

Ms. Zapletal reviewed with the Board Pay Estimate No. One from Insituform Technologies for \$322,129.98 in connection with phase three of the sanitary sewer rehabilitation, a copy of which is attached to the Engineer's Report. Ms. Zapletal noted that the pay estimate includes payment for 9,707 LF of 8-inch cured-in-place-pipe ("CIPP"), 1,390 LF of 10-inch CIPP and 4,765 LF of heavy cleaning. Ms. Zapletal stated that the contractor has completed additional point repairs and rehabilitation since the end of April. Ms. Zapletal stated that the total scope of the project includes 28,869 linear feet of 8-inch through 18-inch CIPP rehabilitation. Ms. Zapletal noted that the contractor estimates a July completion for the project.

Ms. Zapletal reported Universal Coating Specialists has completed the re-coating of the ground storage tanks ("GST") and hydro-pneumatic tanks ("HPT") at Water Plant No. One. Ms. Zapletal stated that the GST is ready for ST to chlorinate and return to service. Ms. Zapletal reported that the HPT should be cured out next on May 24, 2006. Ms. Zapletal reported that the inspector will return to the site on Tuesday to verify the readiness of the HPT and ST will be advised when those tanks are ready for service. Ms. Zapletal stated that bacteriological tests will be conducted before any water will be released into the District's water distribution system. Ms. Zapletal stated that Brown & Gay expects to present the first and final pay estimate for payment at the next meeting.

Ms. Zapletal reported that ST provided 9,706 linear feet of video footage from the televising of the sanitary sewer mains to Brown & Gay after the last meeting. Ms. Zapletal stated that the segments televised were 12-inch to 24-inch diameter pipe within Pinehurst and Town Center, Section Two. Ms. Zapletal stated that Brown & Gay estimates the cost for rehabilitation of defects in this area to be approximately \$333,648. A summary of the video footage and the cost estimate are attached to the Engineer's Report. Ms. Zapletal reported that to date, a total of 100,472 linear feet of video footage has been provided to Brown & Gay. Ms. Zapletal stated that the estimated costs for rehabilitation, including the current submittal, total \$1,320,129 for priorities one through three. Ms. Zapletal stated that the District rehabilitated 15,280 linear feet under the scope of previous rehabilitation projects. Ms. Zapletal noted that upon completion of Phase Three, an estimated 44,149 linear feet of sewer will be rehabilitated within the District.

Ms. Zapletal reported that work is underway in connection with the installation of natural gas generators at the District's water plants and lift stations. Ms. Zapletal stated that upon completion of the survey, Brown & Gay will also be preparing the survey information for the additional land to request from the landowner. Ms. Zapletal noted that Brown & Gay will coordinate with Ms. Cogburn on these matters.

Ms. Zapletal reported that the punchlist items noted at the TCEQ inspection of the new shared lift station with Harris County MUD No. 151 ("No. 151") on April 19, 2006 have been corrected. Ms. Zapletal stated that Pay Estimate No. Two and Final from G&N Enterprises in the amount of \$3,998.00 has been received and is being processed for the release of retainage. Ms. Zapletal stated that Brown & Gay is waiting for the contractor to sign the final pay estimate before forwarding to the bookkeeper for payment next month.

Upon motion by Director Haney, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and approve Pay Estimate No. One in the amount of \$322,129.98 in connection with phase three of the sanitary sewer rehabilitation and to authorize payment of same.

13. **Review and authorize capacity commitments.** Ms. Zapletal stated that the District has not received any capacity commitment requests since the last Board meeting.

14. **Consider request from Harris County MUD No. 153 regarding utilizing meter during emergency conditions.** Ms. Zapletal reported that during a site visit in Harris County MUD No. 153 ("No. 153") for purposes of its elevated storage variance request, another meter between the District and Harris County MUD No. 152 was found on the 24-inch waterline along West Lake Houston Parkway. Ms. Zapletal stated that No. 153 would like to utilize the meter during emergency conditions in their district. Ms. Zapletal reviewed with the Board a layout copied from draft construction plans found in the records for No. 153. Ms. Zapletal stated that because the 6-inch meter box proposed on the draft plans was never constructed, No. 153 would like to propose the connection drawn on the attached layout. Ms. Zapletal stated that based on the proposed layout, the District could also utilize the metered interconnect with either No. 153 or No. 152 if necessary. Upon motion by Director Haney, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to authorize No. 153 to connect to the meter box at their expense.

15. **Acknowledge receipt of letter from Atascocita Commons Associates, LP regarding assignment of water supply and wastewater collection system.** Ms. Ellison reviewed with the Board a letter from Atascocita Commons Associates, LP, a copy of which is attached hereto as Exhibit "J." 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 acknowledge receipt of the letter.

16. **Discuss and take any action in connection with District communications.** Director Hughes asked that the Order Canvassing Directors Election, the Consumer Confidence Report and an updated Capital Projects List be posted on the District's website.

Director Wilkinson reported on the recent AWBD seminar she attended regarding hurricane preparedness. Director Wilkinson stated that residents who know that they will need help evacuating in a hurricane can call 211 to get on a list. It was the consensus of the Board for such information to be posted on the next water bill.

In response to a question, Director Hughes stated that he will obtain website usage information for review at the next Board meeting.

17. **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 June 15, 2006.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)