

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 17, 2007

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 May 17, 2007 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 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; Mr. Fred Richardson 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; Ms. Patsy Oliver of The Tribune Newspaper; and Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District. A sign- in sheet for the residents in attendance 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 19, 2007, previously distributed to the Board, were presented for approval. 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 approve the minutes of the meeting of April 19, 2007, as presented.

2. **Receive comments from the public.** There were no comments from the public at this time.

Ms. Cashion inquired whether the District includes anticipated tax revenue for the new Kings River Lake development for budgeting purposes. The President stated that the District does not anticipate tax revenue until the tax rate is levied for the year.

3. **Review Bookkeeper’s Report and Investment Report.** The Board reviewed the Bookkeeper’s Report and Investment Report, copies of which are attached hereto as Exhibit “C.” Upon motion by Director Stine, 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 5669 through 5718 from the Operating Account, all as listed in the Bookkeeper's Report.

4. **Adopt budget for fiscal year ending May 31, 2008.** Director Stine presented to and reviewed with the Board the proposed budget for fiscal year ending May 31, 2008, a copy of which is attached hereto as Exhibit "D." Discussion ensued regarding the proposed budget. Upon motion by Director House, seconded by Director Wilkinson, 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, 2008 and to authorize the District's bookkeeper to create sub-accounts in the District's operating fund for an "operating reserve" (in an amount of \$750,000) and a "debt service reserve" (in an amount of \$500,000). It was the consensus of the Board to increase the "operating reserve" to \$2,000,000 and to increase the "debt service reserve" to \$1,000,000 in the future.

5. **Review and take action in connection with approval of new bookkeeper contract (Myrtle Cruz, Inc.).** The Board reviewed the proposed Agreement for Bookkeeping Services and a historical summary of bookkeeping costs, copies of which are attached hereto as Exhibit "E." Discussion ensued. Upon motion by Director House, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement for Bookkeeping Services.

6. **Review Tax Collector's Report and authorize payment of certain bills.** The President recognized Mr. Keefe, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for April 2007, a copy of which is attached hereto as Exhibit "F." Mr. Keefe noted that 95.5% of the District's 2006 taxes had been collected as of April 30, 2007. Mr. Keefe stated that delinquent tax statements will be mailed this month. 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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1160 through 1182 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

7. **Approve Consumer Confidence Report.** The Board reviewed the proposed 2006 Consumer Confidence Report ("CCR"), copies of which were previously distributed. Director Wilkinson noted that the meeting information should be revised to reflect the current meeting location and time. 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 CCR, pending final review by Director Wilkinson, and to authorize distribution of the report by July 1, 2007.

8. **Operations Report and Billing and Collections Report.** The Board the Operations Report, a copy of which is attached hereto as Exhibit "G." It was noted that 95.63% of the water pumped was billed for the month ending April 24, 2007. Upon motion by Director Stine, seconded by Director Wilkinson, 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.

9. **Status report and take any action in connection with collection of builder damages – Tri City Turnkey Services (Margaret Poissant).** Ms. Cogburn reviewed with the

Board correspondence from Ms. Poissant regarding potential settlement, a copy of which is attached hereto as Exhibit "H." Ms. Cogburn stated that ST has confirmed that Tri-City Turnkey Services (AKA Robert Rone) did not submit a \$1,000 deposit with the District. Discussion ensued. Upon motion by Director House, seconded by Director Wilkinson, after full discussion and the question being put to the Board, the Board voted unanimously to accept a settlement offer from Mr. Rone in the amount of \$2,000.

10. **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. Retail space on Atascocita Road (1.0827 acres): Brown & Gay advised the engineer that their request for a capacity commitment has not been received since Brown & Gay provided the information in May and December 2006. The information was sent again in April but Brown & Gay has not received the request.
- b. 8-Acre Tract north of Wachovia on FM 1960 East: This tract is now Phase V of the Atascocita Commons development. Brown & Gay is coordinating with RG Miller Engineers to obtain revised construction plans for review. This area was not included in the original 2004 capacity commitment for the Atascocita Commons so a request is being presented today. Brown & Gay has requested the plat recordation information from RG Miller Engineers.
- c. Atascocita Commons Phase III, IV and V: Brown & Gay was advised that the construction plans are being revised to show meter locations and details. Upon receipt of the revised plans, Brown & Gay will review them and make any other comments as necessary.
- d. Premises Personal Warehouse at 19940 Atascocita Shores Drive (south of SW corner of FM 1960 East): Brown & Gay received a call from Cobb, Fendley & Associates, Inc. (CFA) this afternoon requesting capacity for this development on 4.2285 acres. Brown & Gay received the commitment request via email today. Brown & Gay requested copies of the preliminary plans for review at that same time the plans are being reviewed by Harris County.
- e. Residential/commercial construction at FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- f. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- g. Proposed Tuscan Village on the NE and NW corners of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.

Drainage Channel Maintenance Research:

Harris County Flood Control District (“HCFCD”) does not maintain Unit G103-29-00 upstream of Atascocita Shores. Their primary activity keeping the channel open to flow. This involves periodic de- snag operations. The right-of-way in this area is a public drainage easement and further upstream on the golf course and country club it is easement with the District. This area is that which the District signed a maintenance agreement with the golf course, giving the golf course responsibility for maintenance. The HCFCD has requested their crews conduct a routine debris removal and are looking into a future de-s snag from the Lake Houston to approximately 1,400 feet upstream. HCFCD cannot do any work within the channel within the golf course. The channel itself is also affected by the level of water in the Lake.

Discussion ensued. It was the consensus of the Board that Brown & Gay provide detailed information to F&J relating to this issue and that F&J prepare a letter to the golf course informing them of the maintenance agreement and requesting that the golf course perform the necessary maintenance at the ditch.

Emergency Rehabilitation of 18-Inch Sanitary Sewer Force Main:

Brown & Gay received the original extended warranty the afternoon of the last meeting. Brown & Gay informed the bookkeeper after the last meeting to release the check.

Installation of Natural Gas Generators at Water Plants and Lift Stations:

The Notice to Proceed for the project was issued for Monday, October 23, 2007. The revised contract amount, including the change order for the fence at Lift Station No. 1, is \$949,496.50. Pay Estimate No. Five from C.F. McDonald Electric, Inc. in the amount of \$15,174.00 has been reviewed and is recommended for approval and payment. The pay estimate includes payment for completion of wiring at Water Plant No. 2 and the fence at Lift Station No. 1.

Four of the five gas meters have been installed since the last meeting. The new generator at Lift Station No. 1 was placed on Wednesday night, and the gas line will be connected tomorrow. The gas meter will be installed on May 22, 2007. Three of the four new generators that are in place have been started and tested and are operating correctly. The generator at Lift Station No. 2 has not yet been tested but will be soon. Tomorrow, the contractor will be hauling away the old generators and related equipment from the water plant sites. The foundation removal and site re-grading will occur on Monday. Remaining work to be completed at Lift Station No. 1 includes electrical work that the contractor will coordinate with Severn Trent to shut down the lift station for a short period of time. The contractor should be 100% complete with all work and demobilized in 30 to 45 days. The TCEQ inspection will be scheduled once all generators are operational.

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 approve Pay Estimate No. Five in the amount of \$15,174.00 in connection with the installation of natural gas generators at the water plants and lift stations.

11. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that RG Miller Engineers requests approval of a capacity commitment to serve Kohls Department

Store (96,268 SF) within Atascocita Commons Phase V on FM 1960 East. Ms. Zapletal stated that the anticipated utility demand is 9,675 gallons per day of water supply and 6,880 gallons per day of dry weather flow and wastewater treatment capacity. Ms. Zapletal reported that Cobb Fendley & Associates, Inc. requests approval of a capacity commitment to serve 51,125 SF of warehouse and 13,756 SF of office space within Premises Personal Warehouse at 19940 Atascocita Shores Drive. Ms. Zapletal stated that the anticipated utility demand is 4,282 gallons per day of water supply and 2,998 gallons per day of dry weather flow and wastewater treatment capacity. 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 authorize issuance of a capacity commitments for Kohls Department Store and Premises Personal Warehouse

12. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that conceptual cost estimate indicates the costs for drainage improvements will range between \$85,000 to \$95,000. Ms. Zapletal stated that Brown & Gay has requested that two contractors verify the estimate based on the existing site conditions and construction constraints. Ms. Zapletal stated that work on this project is not being billed to the District. Director House requested that Ms. Zapletal contact Harris County to perform some of the necessary drainage work. Ms. Cogburn noted that there may be a quicker response from the County if affected residents contact the Harris County Commissioner for the area.

13. **Discuss and take any action in connection with funding of walkways at new wastewater treatment plant clarifier (utilizing interest earned).** Ms. Zapletal reported that the Atascocita Joint Operations Board needs to obtain approval from each participant in the Atascocita wastewater treatment plant (the "Plant") to utilize the interest earned (approximately \$122,431.21) on the expansion project funds in order to finance new walkways and byways to and around the clarifiers at the Plant. Upon motion by Director Wilkinson, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize use of the interest earned on the expansion funds to finance new walkways and byways to and around the clarifiers at the Plant.

14. **Discuss and take any action in connection with District communications.** The President reported that he is coordinating with Ms. Wynn regarding the next District newsletter, which should be distributed within the next couple of weeks.

15. **Other matters.** It was the consensus of the Board to reschedule the next Board meeting for either June 18 or 25, 2007 due to the AWBD Conference. Ms. Christensen stated that she will coordinate with the Atascocita Country Club to schedule the meeting.

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 20, 2007.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)