

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 19, 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 Library, 19520 Pinehurst Trails Drive, Humble, Texas 77346 on April 19, 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 Directors Hughes and Haney. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Michael Keefe 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; Mr. Noel Barfoot of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Locke Braly of Kings River II, Ltd., developer of land in the District; Mr. Mike Rowland, an owner of property in the District; Ms. Nikki Wynn of Payne Communications; numerous residents of the District; 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 Vice 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 March 22, 2007, 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 March 22, 2007, as presented.

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

3. **Engage Auditor for fiscal year ending May 31, 2007.** The Vice President recognized Mr. Barfoot, who presented to and reviewed with the Board a proposed auditor engagement letter for the fiscal year ending May 31, 2007, a copy of which is attached hereto as Exhibit “C.” Discussion ensued regarding fraud. 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 engage McCall, Gibson & Company, PLLC to perform the District's audit for fiscal year ending May 31, 2007, and to authorize the Vice President to execute the auditor engagement letter.

4. **Review Bookkeeper's Report and Investment Report.** The Vice 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 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, to approve the Investment Report, and to authorize payment of check numbers 5645 through 5668 from the Operating Account, all as listed in the Bookkeeper's Report.

5. **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 "E." Discussion ensued regarding the proposed budget. Director Stine recommended moving funds from the District's operating fund to the debt service fund. Ms. Cogburn noted that once funds are transferred into the debt service fund they can only be utilized for debt service purposes. 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 the District's consultants to review the proposed budget and provide any comments prior to the next Board meeting and to authorize the District's bookkeeper to create sub-accounts in the District's operating fund for an "operating reserve" and "debt service reserve."

6. **Review and take action in connection with approval of new bookkeeper contract (Myrtle Cruz, Inc.).** This item was deferred until the Board's next meeting.

7. **Review Tax Collector's Report and authorize payment of certain bills.** The Vice President recognized Mr. Keefe, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for March 2007 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "F." Mr. Keefe noted that 94.1% of the District's 2006 taxes had been collected as of March 31, 2007. 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 1148 through 1159 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

8. **Engage delinquent tax attorney to enforce the collection of delinquent taxes.** Ms. Cogburn noted that the District has an existing contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P. for the collection of delinquent taxes. 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 Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to collect delinquent 2006 taxes pursuant to the terms of such contract.

9. **Authorize additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2007.** 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 an additional 20% penalty on taxes, penalty, and interest remaining delinquent on July 1, 2007.

10. **Operations Report and Billing and Collections Report.** The Vice President recognized Mr. Mensik, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G." Mr. Mensik reported that 100.63% of the water pumped was billed for the month ending March 23, 2007.

Mr. Mensik requested permission to turn six accounts totaling \$1,077.26 over to collections and to write off one account in the amount of \$18.66.

Mr. Mensik stated that ST received a letter from the Kings River POA requesting assistance on their last water bill. Mr. Mensik stated that the meter in question is an irrigation meter and the average monthly bill is approximately \$30.00. Mr. Mensik stated that Kings River POA's last water bill totaled \$3,883.55 due to a major water line leak. Mr. Locke Braley noted that the leak has been repaired. Discussion ensued. It was the consensus of the Board to have Mr. Mensik obtain additional information regarding the water line leak and to have the Kings River POA submit information relating to the repairs.

Mr. Mensik presented to and reviewed with the Board the 2006 Consumer Confidence Report, a copy of which is attached hereto as Exhibit "H."

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 Operations Report, to authorize termination to delinquent accounts, and to authorize ST to turn six accounts totaling \$1,077.26 over to collections and to write off one account in the amount of \$18.66.

11. **Status report and take any action in connection with collection of builder damages – Tri City Turnkey Services (Margaret Poissant).** Ms. Christensen presented to the Board a letter from Ms. Margaret Poissant regarding the invoice for the Tri City Turnkey Services matter and a copy of the file-stamped abstract of judgment filed in Montgomery County, copies of which are attached hereto as Exhibit "I." Discussion ensued. Ms. Christensen stated that Ms. Poissant has requested the Board's approval to proceed with filing an abstract judgment in Harris County. 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 authorize payment in the amount of \$272.06 to Ms. Poissant and to authorize Ms. Poissant to proceed with filing an abstract judgment in Harris County.

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. Retail space on Atascocita Road (1.0827 acres): Nothing new for this meeting.
- b. Wells Fargo (FM 1960 East in front of HEB): The water meter easement has been recorded and the development is approved for utility connections.

- c. 8-Acre Tract north of Wachovia on FM 1960 East: Nothing new for this meeting.
- d. Residential/commercial construction at FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- e. Proposed office building north of FM 1960 East and Atascocita Shores Drive: Nothing new for this meeting.
- f. 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:

In an effort to research the entity responsible for maintenance, Brown & Gay contacted Harris County Flood Control District (“HCFCD”) and completed a maintenance request for the drainage channel. Brown & Gay will keep the Board and ST updated on any responses received from HCFCD.

Emergency Rehabilitation of 18-Inch Sanitary Sewer Force Main:

Pay Estimate No. Five and Final from Insituform Technologies in the amount of \$107,769.89 has been reviewed and is approved for payment. The District’s share of this pay estimate is \$72,209.37. The pay estimate includes payment for replacement of the driveway at the lift station site, an emergency 18-inch point repair on gravity sewer at lift station, and the release of retainage. Brown & Gay expects to receive the original copy of the extended warranty before April 20, 2007. Brown & Gay requests that the Board approve payment and requests that the bookkeeper release the check to the contractor upon verification from Brown & Gay of receipt of the warranty. **ACTION ITEM**

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

The Notice to Proceed for the project was issued for Monday, October 23, 2006. The original contract amount is \$941,636.50. Pay Estimate No. Four from C.F. McDonald Electric, Inc. in the amount of \$173,700.00 has been reviewed and is recommended for approval and payment. The pay estimate includes payment for the foundation at Lift Station No. 1, the generator at Water Plant No. 1, and partial completion of wiring at Lift Station No. 1. **ACTION ITEM**

The contractor is currently waiting for gas meters to be installed by CenterPoint Energy. CenterPoint estimates the meters will be installed before the end of next week.

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 and final in the amount of \$107,769.89 (District share \$72,209.37) in connection with phase three of the sanitary sewer rehabilitation and to approve Pay Estimate No. Four in the amount of \$173,700.00 in connection with the installation of natural gas generators at the water plants and lift stations.

13. **Review and authorize capacity commitment letters.** Ms. Zapletal reported that K. Chen Engineering has requested a capacity commitment for the reconstruction of the existing

McDonald's Restaurant within Atascocita Plaza Center. Ms. Zapletal noted that the anticipated capacity is 3,000 gallons per day of water supply and 2,100 gallons per day of dry weather flow and wastewater treatment plant capacity. Ms. Zapletal stated that the District has sufficient capacity to serve the McDonald's Restaurant. 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 commitment for the reconstruction of the McDonald's Restaurant within Atascocita Plaza Center.

14. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that the field survey work has been completed and Brown & Gay has met with Director House at the site of the drainage problems (Kings Crown Court). Ms. Zapletal stated that there are three reasons for the exacerbation of the drainage problems on Kings Crown Court:

1. The golf course amenity lake to the west of Kings Crown Court has no outfall drainage and is contributing to the flooding of the lots on the west side of Kings Crown Court;
2. The drainage behind the lots on the east side of Kings Crown Court is not functioning adequately; and
3. The grading and backfilled areas of the roadside ditch on Kings Crown Court is not allowing for proper drainage to Kings River Drive.

Director House stated that he met with a golf course representative and since the golf club has not yet been asked to make any repairs their position on assisting with the correction of the drainage problems has not yet been established. In response to a question from Ms. Cogburn, Ms. Zapletal reported that the drainage for Kings Crown Court was constructed in accordance with the plans, which were approved by Harris County Flood Control. Ms. Cogburn stated that because the Harris County Flood Control District approved the plans for drainage and the drainage was constructed accordingly, the drainage issues are primarily issues to be resolved by the various property owners. Discussion ensued.

15. **Discuss and take any action in connection with District communications.** The Vice President recognized Ms. Wynn, who reported that she is coordinating with Director Hughes regarding the next District newsletter. Ms. Wynn reviewed with the Board some ideas for upcoming newsletter articles

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 May 17, 2007.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)