

MINUTES OF MEETING OF BOARD OF DIRECTORS
October 15, 2009

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 Golf Club, 20114 Pinehurst, Humble, Texas, 77346, on October 15, 2009 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

Ray Hughes, President
Tim Stine, Vice President
Bobby Haney, Secretary
Don House, Assistant Secretary
Jerrel Holder, Assistant Secretary

All members of the Board were present except Director Hughes. Also attending all or parts of the meeting were Mr. Michael Keefe of Bob Leared Interests, tax assessor and collector for the District; Ms. Freida Conley of Myrtle Cruz, Inc., bookkeeper 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. (“*Brown & Gay*”), engineer for the District; Mr. Joe Jurdon and Mr. J.D. Cox, residents of 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 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 “A”, and the following business was transacted:

1. **Minutes.** Proposed minutes of the meeting of September 17, 2009, previously distributed to the Board, were presented for approval. Upon motion by Director House, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of September 17, 2009, as presented.

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

3. **Public Hearing on Tax Rate.** The Vice President opened the hearing on the proposed 2009 tax rate. There were no comments on the tax rate from the public.

4. **Adopt Order Setting Tax Rate and Levying Tax For 2009.** The Board reviewed the Order Setting Tax Rate and Levying Tax for 2009, a copy of which is attached hereto as Exhibit “B.” Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the

Order Setting Tax Rate and Levying Tax for 2009, thereby levying a tax at a rate of \$0.335 per \$100 assessed valuation (\$.24 for debt service and \$0.095 for operations and maintenance).

5. **Discuss and take necessary action regarding the Atascocita Golf Club and golf course property.** It was noted that the District has not received any requests from the new owners of the Atascocita Golf Club.

6. **Discuss and take action in connection with request from Atascocita Golf Club regarding termination of Amended and Restated Agreement for Maintenance of Drainage Ditch.** Mr. Mensik reported that he inspected the drainage ditch and the ditch is overgrown, filled with debris and culverts are blocked. Mr. Mensik reported that ST cleared one portion of the ditch, but the remaining repairs necessary will cost a substantial amount and will require permission from the Atascocita Golf Club. Discussion ensued. Mr. Mensik stated that he will contact Champions Hydro Lawn and Seaback Maintenance to inspect the facilities and submit a proposal for recommended repairs to the Board at the next meeting.

7. **Review Bookkeeper's Report and Investment Report.** The Vice President recognized Ms. Conley, who presented to and reviewed with the Board the Bookkeeper's Report for the period ending October 15, 2009 and the Investment Report, copies of which are attached hereto as Exhibit "C." Upon motion by Director Haney, 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 for the period ending October 15, 2009, to approve the Investment Report, and to authorize payment of check numbers 6677 through 6711 from the Operating Account and check numbers 5096 and 5097 from the Capital Project Account, all as listed in the Bookkeeper's Report.

Ms. Conley stated that she received a call from ADT's billing department informing her that the District was delinquent in paying invoices associated with one of the District's facilities. Ms. Conley stated that the District is receiving two bills (one for each facility), but the bills are coming from different ADT billing locations. Ms. Conley stated that this creates a problem since the ADT bills are paid with one check. Ms. Mensik reported that the cameras at both facilities are in need of repairs. Mr. Mensik stated that he has been trying for quite some time to get the security cameras and equipment at the District's facilities repaired. Ms. Christensen stated that she will provide the operator and bookkeeper with the contact information for the representative at ADT who assisted in resolving previous issues.

8. **Review Tax Collector's Report and authorize payment of certain bills.** Mr. Keefe presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of September 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "D." Mr. Keefe noted that 98.717% of the District's 2008 taxes had been collected as of September 30, 2009. Upon motion by Director Haney, 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 1466 and 1467 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

9. **Operations Report and Billing and Collections Report.** Mr. Mensik presented to and reviewed with the Board the Operations Report for September, 2009, a copy of which is attached hereto as Exhibit "E." Mr. Mensik reported that 96.82% of the water pumped was billed for the month ending September 18, 2009.

Mr. Mensik reviewed with the Board pictures taken of the street collapse at the intersection of Timber View and Nehoc, copies of which are attached hereto as Exhibit "F." Mr. Mensik reported that ST was contacted by Harris County regarding the street collapse and that ST located an abandoned sewer stack, which caused the collapse. Mr. Mensik reported that ST is in the process of repairing the street.

Mr. Mensik reported that Ms. Sharon Binz (7503 Kings River Drive) was credited \$19.23 in connection with late fees assessed to her account. The Vice President recognized Mr. Cox, who reviewed with the Board correspondence between Ms. Binz and ST regarding two extremely high water bills received in July and August 2009, copies of which are attached hereto as Exhibit "G." Mr. Cox reported that Ms. Binz requested a meter re-read after receiving the high water bills, but was never notified of the outcome of such meter read. Mr. Cox reported that Ms. Binz's neighbor had a water leak on their line. Mr. Cox requested that the Board further research such matter to determine if Ms. Binz was erroneously charged for the water usage at her neighbor's residence. The Board directed ST to provide a historical usage summary for Ms. Binz's account and to also check the usage and the neighbor's meter. It was noted that the Board will take any necessary action on this matter at the next Board meeting.

Ms. Zapletal reported that Brown & Gay was contacted by the homeowners at 19510 Nehoc regarding damage to their pool decking. Ms. Zapletal stated that the concrete pad surrounding the pool is cracked and the residents believe that a problem in the District's sewer line caused such damage. Ms. Zapletal stated that the concrete pad is within the District's easement. The Vice President recognized Mr. Jurdan, who reported that he and his wife noticed the damage occurring sometime after Hurricane Ike. Mr. Jurdan stated that he contacted the District's operator at that time and was informed that the sewer line in question had been televised and there were no problems located in that segment of line, but he was recently notified that the District is now making sewer line repairs. Ms. Zapletal noted that the District is slip lining sewer pipe throughout the District. Ms. Zapletal reported that she reviewed the tape from the televising and there were no holes found in the segment of sewer line near the concrete pad. Ms. Zapletal noted that a circular crack was located six feet downstream from the manhole, but such crack would not have caused the damage to the pool's concrete pad. Ms. Cogburn stated that since the pool's concrete pad encroaches on the District easement, it is not the District's responsibility to repair the damage to the concrete pad. It was the consensus of the Board that Director Haney coordinate with Mr. Mensik and Ms. Zapletal to schedule a meeting to review the tape from the televising of the sewer line.

Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to authorize termination of service to delinquent accounts.

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 "F," and which follows in substantially the form it was presented:

The attached notice from the TCEQ announces the Critical Facilities Infrastructure Mapping (CFIM) project to collect coordinate data for location of critical public water supply facilities by means of GPS. The TCEQ will make arrangements to visit the District's two water plant sites to obtain this information.

Brown & Gay was contacted by Sugar Creek Homes regarding installation of an inlet to help alleviate ponding in the street by Lot 19 in Block 1 of Kings River Estates, Section 5 (page 8). Brown & Gay has requested C.E. Barker's assistance to work directly with the homebuilder and the POA since the streets and the storm sewer are private facilities and are not maintained by Harris County.

Use of Surplus Capital Projects Funds:

The following table summarizes the *non-audited* actual costs versus the estimated costs included in the notification letter sent to the TCEQ for use of \$519,925 surplus capital projects funds for various repairs pursuant to 30 T.A.C. §293.83(c)(3)(A) and (B). The District's auditor will include notes in the annual financial reports for fiscal years in which these funds are distributed.

Project Name	Original Estimated Surplus Funds	FYE 2009 Surplus Funds Used As of 05/21/09	FYE 2010 Surplus Funds Used As of 10/15/09	Total Actual Project Expenses (non-audited)
Atascocita Point Drive SS repair				
- Construction costs incurred by ST *	\$ 70,000	\$ 34,115.26	\$ 62,333.88	\$ 96,449.14
Water Plant Disinfection modifications				
- Engineering and construction costs	\$ 37,443	\$ 9,075.93	\$ 15,878.01	\$ 24,953.94
Water Plant Fence Replacement Project				
- Construction costs	\$ 215,000	\$ -	\$ 174,508.20	\$ 177,424.20
Sanitary Sewer Rehabilitation, Phase IV				
- Construction costs (as funds available)	\$ 197,482	\$ -	\$ -	\$ -
TOTALS	\$519,925	\$ 43,191.19	\$ 255,636.09	\$ 298,827.28

*Note: The reimbursement to the GOF was approved in the August 20, 2009 bookkeeper's report.

Construction Plan Review:

- a. New sushi restaurant in Woodforest Plaza: Brown & Gay spoke with the property manager regarding the grease trap requirements for a restaurant buildout in the former MacAllister Deli.

- b. Atascocita Shores, Section 2, Lot 9, Block 5: Nothing new. Brown & Gay provided utility plans and capacity commitment request procedures to Benchmark Engineering in September 2009 for use in the development of this lot. Although no plans and no commitment request have been received, the owners of this lot are reviewing options to develop 3-4 single-family homes on the property, which is primarily located within the City of Houston.
- c. Chateaux at Pinehurst Apartments: Nothing new. Brown & Gay approved the plans in October 2008. The developer is required to provide Brown & Gay and ST video inspections of the existing sanitary sewer mains to confirm the condition of the original construction prior to connecting to the District's sanitary sewer system. Brown & Gay has not received records of a video inspection.
- d. NE Corner of Atascocita Road & Town Center Boulevard (Bank to be constructed on 1.853 AC): Nothing new. Brown & Gay provided Bury+Partners the plans and District submittal requirements in October 2008.
- e. Rowland Interests-Atascocita Business Park/Sports Complex (19505 West lake Houston Parkway): Nothing new. The preliminary construction plans submitted by H2B, Inc. have been reviewed and comments provided to the engineer.
- f. Atascocita Lutheran Church: Brown & Gay contacted the Pastor for additional details and construction plans as necessary but has not yet received a response or plans.
- g. Atascocita Shores Personal Warehouse: Nothing new.
- h. NE, NW and SW corners of FM 1960 East and Atascocita Shores Drive: Nothing new.

Water Plants No. 1 and 2 Fence Replacements and Landscape Improvements:

Thirteen submittals have been received and approved to date. CenterPoint Energy completed the gas meter relocation on October 1, 2009. The accent column at the entry has been properly enclosed by the fence contractor.

Pay Estimate No. 4 from T&C Construction, Ltd. in the amount of \$2,916.00 has been reviewed and is approved for payment. This invoice includes payment for partial completion of irrigation at Water Plant No. 1 (Rebawood). Funds totaling ten percent of the work completed to date (\$19,713.80) remain in retainage.

Construction of the new fencing at both water plants and irrigation and landscaping installation at Water Plant No. 1 are substantially complete. The width of the gate to Water Plant No. 2 (West Lake Houston Parkway) had to be modified and has been awaiting clear weather for installation this week.

The bricks are single-faced bricks. The "Smokey Mountain" color was only on one face of each brick, which side was installed toward the exterior of the plant sites.

Water Plants No. 1 and 2 Disinfection System Improvements:

Construction is underway by ST. As part of the “conditional” approval and required communication with the TCEQ, Brown & Gay must notify the TCEQ when construction is complete and ready for inspection. Brown & Gay must also certify that the work is completed as approved in the plans. Brown & Gay will continue to communicate with ST throughout the project to satisfy these conditions.

Hurricane Ike Letter from Governor’s DEM and FEMA:

Brown & Gay has not received additional confirmation of whether a revised reimbursement worksheet will be presented to the District. Myrtle Cruz, Inc. and ST Services may contact F&J and Brown & Gay if they receive any questions or information from the DEM or FEMA regarding an additional reimbursement.

Sanitary Sewer Rehabilitation, Phase IV:

Portions of the following areas are included for rehabilitation under the scope of this project:

- Atascocita Shores, Sections 1-5; Atascocita Villas
- Pinehurst of Atascocita, Sections 1-4, 7, 11; Estates of Pinehurst; Golf Villas
- Pines of Atascocita, Sections 1 and 2
- Atascocita Town Center, Sections 1 and 2
- Pinehurst of Atascocita/Atascocita Shores (trunk mains)

Pay Estimate No. 1 from Insituform Technologies in the amount of \$75,323.25 has been reviewed and is approved for payment. This invoice includes payment for 18,101 LF of pre-construction televising and 1,922 LF of heavy cleaning. Funds totaling ten percent of the work completed to date (\$8,369.25) remain in retainage.

Brown & Gay has been in communication with Insituform Technologies, ST and the resident at 19510 Nehoc Lane to review condition of the eight-inch concrete sanitary sewer in the utility easement. The customer requested an investigation into the reason for cracking and settling of the swimming pool decking. The line was televised last year and again on September 4, 2009 as part of the rehabilitation project. While there is a circular crack in the line downstream of the manhole that appears to be deteriorating with time, the crack and the sewer main do not appear to have been experiencing excessive infiltration. The line was originally assigned a Priority 3 (the least severe priority for repair) in 2006. ST will have pictures available of the yard showing the encroachment of the pool on the easement and the cracking deck around the pool.

New EPA rules related to groundwater:

The EPA has mandated additional requirements to provide increased protection against microbial pathogens in public water systems that use ground water sources (known as the “Ground Water Rule”). The breakdown of compliance deadlines is as follows:

- 12/01/2009 – the District notify the TCEQ of the chosen means of compliance
- Beginning 12/01/2009, the District begins preparing for its chosen means of compliance

- 12/31/2012 – TCEQ must complete sanitary surveys for most systems

ST has reviewed the compliance options and has determined that the Triggered Source Monitoring option is its preferred method of compliance. Brown & Gay requests the Board's authorization to notify the TCEQ.

Emergency Preparedness Plan (EPP) Regulations:

Brown & Gay is finalizing the standard submittal templates for an EPP and will begin working on the plan for review and approval by the Board and submittal after December 1, 2009 but before March 1, 2010.

Upon motion by Director Haney, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to approve Pay Estimate No. Four in the amount of \$2,916 to T&C Construction. Ltd. in connection with the fence replacement and landscaping improvements at water plant no. one and water plant no. two and authorize payment of same, to approve Pay Estimate No. One in the amount of \$75,323.25 to Insituform Technologies in connection with phase four of the sanitary sewer rehabilitation, and to authorize Brown & Gay to notify the TCEQ that the District's preferred method of compliance with the EPA's rules related to groundwater is the triggered source monitoring.

11. **Review and authorize capacity commitment letters.** Ms. Zapletal noted that nothing new has occurred since the last meeting on this matter.

12. **Authorize Consent to Encroachment of water line (Texaco sign).** Ms. Zapletal reported that EAG Lube Properties, L.P. has requested consent to encroach a 10-foot sanitary sewer easement recorded within the West Star Lake Addition, which is adjacent to the right-of-way (and 24-inch waterline within the R.O.W.) along West Lake Houston Parkway. Ms. Zapletal stated that Brown & Gay is not aware of public sanitary sewer facilities within the easement. The request is for the existing Texaco sign, which was installed in the mid-1990s according to the owner. Harris County requested the consent agreement as part of permitting the sign updates (replacing the face of the sign only). EAG Lube Properties has signed the paperwork. Ms. Zapletal stated that Brown & Gay requests the Board's authorization and execution of the Consent to proceed with recordation in Harris County Clerk's Office. Discussion ensued regarding the necessity of the easement. Ms. Zapletal stated that no District facilities are located within the easement and she sees no need for lines in such easement in the future. Upon motion by Director House, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to authorize F&J to prepare a Release of Easement for the Board's consideration at the next Board meeting.

13. **Discuss and take necessary action in connection with request from QLS for capacity to serve proposed fitness center on former golf course property.** Ms. Zapletal noted that Mr. Kyle Bauer, the owner and managing member of QLS Family Fitness, previously requested service to the tennis and pool facilities (on approximately 10.076 acres) that are not currently located within the District's boundaries. Based on Mr. Bauer's estimate at the August 20, 2009 meeting, the capacity needs are approximately 40,000 gallons per month or 1,333 gpd (rounded to 3ESFC). Ms. Zapletal noted that this information will be provided monthly for the

Board's reference and authorization upon receipt of additional capacity information from Pinehurst Trail Holdings, LLC and advice from F&J on how to handle the utility service agreements.

14. Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4"), including award contract for construction of improvements.

Diversion Swale and Berm for Kings River Estates, Section Four

Ms. Zapletal noted that C.E. Barker, Ltd submitted the lowest total bid of \$249,678.57 on April 2, 2009 for the diversion swale and berm for Kings River Estates, Section Four. The contracts were signed by the Board but are still pending final award and distribution until receipt of Harris County signatures on the plans. Harris County Flood Control District ("HCFCD") approved the original plans for this project on July 28, 2009. Harris County approved the new version of the construction plans after the September meeting.

After the September meeting, the contractor provided costs for the additional non-bid items. Brown & Gay had not yet approved Change Order No. 1 because it exceeded the not-to-exceed amount approved by the Board. The line item for the concrete overflow for the lake exceeded \$42,000. Brown & Gay has requested a detailed breakdown for further review of this particular cost.

For permitting the project by Harris County, a "Permittee's Acknowledgement of Disclaimer Regarding Placement of Fill on Private Property" must be signed (page 24). Pinehurst Trail Holdings, LLC requests the Board's sign the disclaimer since the easement will be in the name of the District and since the dirt to be placed on the site will be part of the District's construction project.

Discussion ensued. It was the consensus of the Board that Ms. Zapletal coordinate with Ms. Cogburn to revise the disclaimer since Pinehurst Trail Holdings, LLC is the owner of the land, but the District will be responsible for the project. Ms. Cogburn recommended that both the owner and the District sign the disclaimer.

The required Small Construction Site Notice ("SCSN") and Storm Water Pollution Prevention Plan ("SWPPP") documents will be finalized once the construction dates are known.

Drainage Improvements (Internal Improvements) for Kings River Estates, Section Four

Ms. Zapletal noted that C.E. Barker, Ltd submitted the lowest total bid of \$337,586.70 on April 7, 2009 for the drainage improvements (Internal Improvements) for Kings River Estates, Section Four. Notice to Proceed was issued for June 15, 2009. The required SCSN and SWPPP documents have been provided to the MS4 Operator, Harris County.

Pay Estimate No. 4 from C.E. Barker, Ltd. in the amount of \$17,456.76 has been reviewed and is approved for payment. The District's 70% share of this invoice is \$12,219.73. The POA's 30% share is \$5,237.03. This invoice includes payment for sod,

offsite disposal of 1,200 CY of excess utility spoil material, and 2 SY of pavement repair. Funds totaling five percent of the work completed to date (\$14,378.98) remain on retainage. The pay request was approved today. The contractor has asked if the District will be willing to write a check at tonight's meeting.

The final TCEQ inspection was conducted on Wednesday, September 30, 2009 at 10 a.m. Only a few Resident Inspection Questionnaire responses were returned. After the inspection, Brown & Gay obtained additional topographic survey information in an effort to confirm grading solutions in select areas. An area of the existing street is still not draining, but the ponding is isolated to the existing pavement. The contractor can remove the area and reconstruct to eliminate the ponding area.

Embarq provided an invoice in the amount of \$2,020.86 for the two phone line relocations performed as part of construction. This invoice did not include payment for any contractor damage to their facilities.

Brown & Gay was advised this week by Community Asset Management ("CAM") that a resident is having trouble with phone line access for the entry gate. Brown & Gay has requested the addresses and clarification as to whether this is an isolated or a universal problem within the section. Embarq will be notified of the details of need for repairs.

CenterPoint Energy previously informed Brown & Gay that the work order for lighting would be addressed before October 13, 2009. CenterPoint Energy has now informed Brown & Gay that a second work request for the same work order had to be issued. An investigation crew should visit with site within 7-10 days. Depending on the work load of the crew, it may take as many as 30 days. Brown & Gay will follow up with weekly calls to customer service for status updates.

Ms. Cain with CAM confirmed that the contractor reimbursements requested to date have been received and were sufficient.

Upon motion by Director Holder, seconded by Director Haney, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize payment of Pay Estimate No. Four from C.E. Barker, Ltd. in the amount of \$17,456.76 (District's share \$12,219.73) in connection with the internal drainage improvements, to authorize the contractor for the internal drainage improvements to remove the area of the street that is not draining and reconstruct to eliminate the ponding area and to authorize payment to Embarq in the amount of \$2,020.86 for the relocation of two phone lines.

15. Review and take necessary action in connection with request from WYA The Bridges of Lake Houston, Ltd. The Board reviewed a letter from WYA The Bridges of Lake Houston, Ltd. regarding purchasing wastewater treatment plant capacity, a copy of which is attached hereto as Exhibit "I." It was noted that the participants in the Atascocita Joint Wastewater Treatment Plant ("AJOB") previously agreed to the sale of approximately 430,000 gallons of wastewater treatment plant capacity (\$6.00 per gallon) and sanitary sewer trunk line capacity (\$1.00 per gallon) for Harris County Municipal Utility District No. 494 ("No. 494").

Ms. Cogburn stated that the Developer for No. 494, WYA The Bridges of Lake Houston, Ltd. (“WYA”), has revised the land plan and is now requesting capacity to serve approximately 825 equivalent single family connections (instead of the previously discussed 1,350 connections). It was noted that the District does not have surplus capacity to sell to WYA.

16. **Discuss and take any action in connection with District communications.** Ms. Wynn reviewed with the Board a proposed article regarding website benefits for the Fall newsletter, a copy of which is attached hereto as Exhibit “J.” Ms. Wynn stated that she is also coordinating with the engineer on an article regarding sanitary sewer rehabilitation.

17. **Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to discuss litigation.** The Board did not convene in Executive Session at this time.

18. **Executive Session pursuant to Section 551.076, Texas Government Code, as amended, to discuss security related matters at District facilities.** The Board did not convene in Executive Session at this time.

19. **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 November 19, 2009.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)