

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 21, 2010

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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trail Drive, Humble, Texas, 77346, on January 21, 2010 at 5:00 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; Ms. Nikki Wynn of Payne Communications; Ms. Deanna Berry and Mr. Tim Mulkey, 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 November 19, 2009, previously distributed to the Board, were presented for approval. 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 minutes of the meeting of November 19, 2009, as presented.
2. **Receive comments from the public.** There were no comments from the public at this time.
3. **Discuss and take necessary action regarding the Atascocita Golf Club and golf course property.** Director House noted that he has received email correspondence from Mr. Joe Stunja, requesting that the District consider purchasing the golf club property and issue park bonds. Discussion ensued.

4. **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 presented to and reviewed with the Board proposals from embark Tree and Landscape Services, Champions Hydro-Lawn, Inc., and TNR Construction for the necessary maintenance to the drainage ditch, copies of which are attached hereto as Exhibit "B." Discussion ensued. Mr. Mensik noted that Seaback Maintenance declined to submit a proposal. Upon motion by Director Haney, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve embark Tree and Landscape Services proposal to clear the drainage ditch.

5. **Adopt Order Calling Directors Election.** Director House confirmed that if an election becomes necessary, the library is reserved and will be the polling location both for early voting and on election day. Director Stine stated that he has confirmed with Ms. Ollie Dole that she will serve as the Presiding Judge if an election becomes necessary. Director Stine stated that he will contact other residents to find a person willing to serve as the Alternate Presiding Judge. In response to a question, Ms. Christensen noted that F&J is having the election information translated into Spanish and Vietnamese for posting on the District's website. Action on this item was tabled until the next Board meeting.

6. **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 January 21, 2010 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending January 21, 2010, to approve the Investment Report, and to authorize payment of check numbers 6761 through 6833 from the Operating Account and check number 5101 from the Capital Project Account, all as listed in the Bookkeeper's Report.

Ms. Conley stated the "Office Expense, Postage" expenses include office expenses and postage for both the Bookkeeper and the Operator.

7. **Adopt Order Authorizing Exemptions from Taxation (Disabled and 65 Years of Age or Older and Residential Homestead).** Ms. Cogburn presented to the Board drafts of the Order Adopting Exemption from Taxation for Individuals who are Disabled or are 65 Years of Age or Older and the Order Adopting a Residential Homestead Tax Exemption. It was the consensus of the Board to maintain the exemption amounts at \$40,000 for those persons that are Disabled or 65 Years of Age or Older and at 20% for residential homesteads. 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 Adopt the Orders Authorizing Exemption from taxation, copies of which are attached hereto as Exhibit "D."

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 Reports for the months of November and December 2009 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Keefe noted that 99.05% of the District's 2008 taxes and 39.37% of the District's 2009 taxes had been collected as of December 31, 2009. 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 Tax Assessor and Collector's Report and to authorize payment of check numbers 1475 through 1489 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Mr. Keefe reviewed with the Board a summary of the District's residential and commercial values from 1998 through 2009, a copy of which is attached to the Tax Assessor and Collector's Report. In response to a question, Director Stine requested that such information be updated on an annual basis.

9. Adopt Resolution Authorizing 20% Additional Penalty on Delinquent Taxes. Ms. Cogburn presented to and reviewed with the Board the Resolution Authorizing 20% Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "F." 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 adopt the Resolution Authorizing 20% Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11, and 33.08, Tax Code.

10. Operations Report and Billing and Collections Report. Mr. Mensik presented to and reviewed with the Board the Operations Report for December, 2009, a copy of which is attached hereto as Exhibit "G." Mr. Mensik reported that 108.89% of the water pumped was billed for the month ending December 18, 2009.

Mr. Mensik requested permission to turn one account in the amount of \$180.15 over to collections and to write off one account in the amount of \$6.71.

Mr. Mensik reviewed with the Board a summary of communication between ST and a resident, Mr. Jay Foust (20039 Pinehurst Place), a copy of which is attached hereto as Exhibit "H." Mr. Mensik noted that Mr. Foust complained of a strong "bleach" odor in his residence on January 15, 2010. Mr. Mensik reported that on the same date, ST took residual samples at the house and the sample results were within the normal limits. Ms. Mensik stated that Mr. Foust is requesting reimbursement in the amount of \$96.00 for staying in a hotel due to the alleged "bleach" odor. Discussion ensued. It was the consensus of the Board to deny such request.

Mr. Mensik reviewed with the Board proposals submitted by ADT to repair (\$246.28) or repair and re-locate (\$5,426.79) the security beam system at the Rebawood water plant due to the construction of the new fence at the water plant, copies of which are attached hereto as Exhibit "I." Discussion ensued. The Board and Ms. Zapletal noted that the beam system should not have to be re-located due to the new fence because the fence was constructed in the same location. It was the consensus of the Board to authorize the repair of the beam for \$246.28. Mr. Mensik stated that he will contact ADT to schedule a meeting with representatives of ADT, a Board member and ST at the Rebawood water plant to further discuss the re-location of the beam system.

Mr. Mensik stated that he will obtain a proposal to repair the road at the Rebawood water plant.

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 Operations Report and to authorize termination of service to delinquent accounts.

11. **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:

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 11/19/09	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	\$16,329.18	\$25,405.11
Water Plant Fence Replacement Project - Construction costs	\$215,000	\$ -	\$231,557.05	\$231,557.05
Sanitary Sewer Rehabilitation, Phase IV - Construction costs (as funds available)	\$197,482	\$ -	\$ -	\$ -
TOTALS	\$519,925	\$43,191.19	\$310,220.11	\$353,411.30

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

Brown & Gay and Myrtle Cruz have been communicating on the status of available surplus funds for construction and engineering payments. Because the Atascocita Point Drive sewer repair and the fence construction costs exceed the original estimate, the construction payments for Sanitary Sewer Rehabilitation, Phase IV will continue to be drawn from the budget item in the General Operating Fund. In the same way as previously done for the sewer repair, Brown & Gay will coordinate with ST and Myrtle Cruz to track the future disinfection modification invoices for reimbursement to the General Operating Fund.

Construction Plan Review:

- a. Sushi Chu Chu restaurant in Woodforest Plaza (6500 FM 1960 East): Brown & Gay approved the plumbing plans in November 2009 after concurrence from ST.
- b. Atascocita Lutheran Church: Nothing new. Reverend Gary Anholt and the general contractor informed Brown & Gay that, although it was not originally proposed in the plans, a waterline was relocated to accommodate a new hand sink. ST was previously scheduled to visit the site to inspect the plumbing.
- c. Five Brothers Burgers (in HEB shopping center): Brown & Gay approved the plumbing plans in October 2009 after concurrence from ST. This update was inadvertently left off the November 2009 meeting report.
- d. 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.
- e. 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.
- f. 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.
- g. 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.

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

Pay Estimate No. 6 from T&C Construction, Ltd. in the amount of \$17,056.21 has been reviewed and approved for payment. This pay estimate includes payment for completion of the planting and irrigation and a reduction in retainage to 5% of the work complete to date. Funds totaling \$17,056.21 remain on retainage.

Brown & Gay is awaiting communication from ADT in order to approve the final pay request.

Brown & Gay received a letter today from T&C Construction requesting confirmation of a time frame to resolve the ADT issues and issue final payment.

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. ST anticipates Water Plant No. 2 (West Lake Houston Parkway) to be complete in early February 2010.

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. Because of knowledge of other districts' reimbursements being finalized a couple of months ago, Brown & Gay does not anticipate any additional reimbursement to the District.

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)

As part of the December 2009 bills approved for payment at the November 2009 meeting, Pay Estimate No. 3 from Insituform Technologies in the amount of \$333,939.15 was reviewed and approved for payment. This invoice included payment for pre- and post-construction televising; 4,077 LF 8-inch cured-in-place pipe (CIPP); 1,624 LF of 10-inch CIPP; 4,065 LF 12-inch CIPP; 276 LF 15-inch CIPP; and 3,518 LF of heavy cleaning. Funds totaling ten percent of the work approved to date remain on retainage (\$71,974.07).

Pay Estimate No. 4 was received on January 15, 2010 and is currently under review for the contract amount remaining eligible for payment in February. Costs exceeding 50% of the contract amount will not be approved for payment until June, the beginning of the next fiscal year.

The contractor provided more details regarding two manholes covered by concrete/parking lot. One manhole in Atascocita Town Center Section 2 was raised to grade by the contractor to facilitate construction. Typically, Brown & Gay requests these types of adjustments by district operators and has information to provide to ST for adjustment.

Discussion ensued. It was the consensus of the Board that Mr. Mensik obtain a cost estimate for the repairs necessary to uncover the manholes and that Ms. Zapletal prepare a letter to the owner of the property requesting payment to cover the costs of the repairs since the owner (Walmart) paved over the manholes when the parking lot was constructed.

Emergency Preparedness Plan (“EPP”) Regulations:

Brown & Gay has been provided operational and contact personnel data from ST. Comments received from F&J have been incorporated into the EPP. Hard copies are provided today for the Board’s review. The Board’s comments are requested by January 29, 2010. Brown & Gay requests the Board’s approval today subject to final review and comments provided to Brown & Gay by the requested deadline.

New EPA rules related to groundwater:

A checklist of the TCEQ’s required information for the Triggered Source Monitoring Plan is being assembled by Brown & Gay with assistance of ST (subsequent to finalizing the EPP). Much of the information is also in the EPP, which will help reduce efforts and costs for this work.

Atascocita Joint Operations Board (“AJOB”):

Brown & Gay continues to maintain a compilation of the ESFC for each district, total ESFC, average daily wastewater flows, and rainfall information. The compilation through December 2009 indicated an average daily flow of 4.76 mgd or 298 gpd per ESFC. Rainfall for the month totaled 6.48 inches.

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 Engineer’s Report, to approve Pay Estimate No. Six in the amount of \$17,056.21 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, and to approve the Emergency Preparedness Plan and authorizing filing of same with the TCEQ, subject to final review and comments provided to Brown & Gay.

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

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 3 ESFC). 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.

Pinehurst Trail Holdings, LLC approved the revised easement, which was sent to Harris County Clerk’s Office for recordation. Brown & Gay is pursuing the easements from residents. For permitting the project by Harris County, the “Permittee’s Acknowledgement of Disclaimer Regarding Placement of Fill on Private Property” was completed upon receipt of the golf course recorded easement (HCCF No. 20090560013).

The preconstruction meeting was held on Tuesday, January 19, 2010. The contractor will be ordering the reinforced concrete box culverts, and Notice to Proceed will be issued subsequent to completion of the pipe. The required Small Construction Site Notice (SCSN) and Storm Water Pollution Prevention Plan (SWPPP) documents will be submitted to Harris County, the MS4 Operator, as required, prior to construction.

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.

C.E. Barker has completed the Change Order No. 2 work, additional driveway repairs, and sod placement. Two driveway connection locations (one existing driveway connection and one new driveway connection) were still holding water and have been replaced. One of these locations was repaired at the cost of the contractor. Brown & Gay visited the site again last to review drainage after a rain event. This review showed that a couple of punchlist items still need to be addressed to alleviate ponding water.

As part of the December bills approved for payment at the November meeting, Pay Estimate No. 5 from C.E. Barker, Ltd. in the amount of \$31,060.57 was reviewed and recommended for approval and modified payments. The District’s 70% share of this invoice is \$21,742.40. The POA’s 30% share is \$9,318.17. Because Brown & Gay received a Notice from HD Supply/White Cap Construction Supply on November 20, 2009, Brown & Gay requested a check in the amount of \$6,210.09 to be made jointly payable to C.E. Barker *and* HD Supply/White Cap Construction Supply to ensure payment. The balance of the invoice will be payable only to C.E. Barker. Retainage in the amount of \$16,013.74 is still being withheld until final payment is requested and confirmation of payment is received from HD Supply/White Cap Construction Supply.

Brown & Gay confirmed that the joint check was endorsed by C.E. Barker and was sent to HD Supply/White Cap Construction Supply. Brown & Gay also received a second lien notice in December 2009 that included an overlap of two months previously noted in the lien. The net additional lien is \$341.97 (\$6,552.06-\$6,210.09). Brown & Gay is awaiting receipt of the release of all liens from the supplier.

Brown & Gay has not received a pay request this month.

Brown & Gay has continued coordination with the POA regarding the entrance gate access but not received feedback from Embarq regarding the request for investigation and repairs to the service line(s).

CenterPoint Energy has been notified that two street lights are again not functioning within the subdivision. To date, all repairs made by CenterPoint Energy's contractor, North Houston Pole, have been at the expense of CenterPoint Energy. North Houston Pole advised Brown & Gay that they would try to make the repairs by January 21, 2010.

15. Discuss and take action in connection with District's Supplemental Emergency Preparedness Plan. There was no discussion on this item at this time.

16. Approve Fourth Amended and Restated Waste Disposal Contract (sale of capacity to WYA The Bridges of Lake Houston/Harris County MUD No. 494). The Board reviewed the Fourth Amended and Restated Waste Disposal, a copy of which is attached hereto as Exhibit "K." Ms. Cogburn stated that the Contract will incorporate and restate all changes which have been made since July 22, 1979 (the date of the original Waste Disposal Contract), and includes the sale of wastewater treatment plant capacity to Harris County Municipal Utility District No. 494 ("No. 494"). Ms. Cogburn noted that the Contract has been revised to reflect such change in the participants' pro rata share of capacity. Upon motion by Director Haney, seconded by Director Holder, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of Fourth Amended and Restated Waste Disposal Contract.

17. Discuss and take any action in connection with District communications. Ms. Wynn reported that the fourth quarterly newsletter was distributed in December 2009. Ms. Wynn reported on ideas for articles to be included in the next newsletter. Discussion ensued.

18. Discuss and take action in connection with meeting location. Discussion ensued. Ms. Christensen stated that she will contact someone at the Fire Station to determine if the Board can begin meeting at the fire station in May 2010. It was noted that the February, March and April Board meetings will be held at 6:00 p.m. at the library.

19. 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.

20. 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.

21. **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 18, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)