

MINUTES OF MEETING OF BOARD OF DIRECTORS
September 15, 2011

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 132

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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 Harris County Library (Atascocita Branch), 19520 Pinehurst Trails Drive, Humble, Texas, 77346, on September 15, 2011 at 6:00 p.m.; whereupon the roll was called of the Board, to-wit:

Bobby Haney, President
Tim Stine, Vice President
Don House, Secretary
Jerrel Holder, Assistant Secretary
Lloyd Lentz, Director

All members of the Board were present. Also attending all or parts of the meeting were Ms. Brenda McLaughlin of Bob Leared Interests, tax assessor and collector for the District; Ms. Fredia Conley of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Larry Jones 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, Communications Program Consultant; Ms. Anthea Moran of First Southwest Company, financial advisor for 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 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 August 18, 2011, 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 August 18, 2011, as presented.

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

The Board reviewed an email from Augustine Rodriguez, a copy of which is attached hereto as Exhibit "B." Discussion ensued. It was the consensus of the Board that Director Stine respond to Mr. Rodriguez informing him that the Board received and reviewed his email and will take his concerns into account when setting the 2011 tax rate.

3. **Review Bookkeeper's Report and Investment Report.** Ms. Conley presented to and reviewed with the Board the Bookkeeper's Report for the period ending September 15, 2011 and the Investment Report, copies of which are attached hereto as Exhibit "C." 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 accept the Bookkeeper's Report for the period ending September 15, 2011, to approve the Investment Report, and to authorize payment of check numbers 5134 through 5136 from the Capital Projects Account and check numbers 7473 through 7494 from the Operating Account, all as listed in the Bookkeeper's Report.

4. **Adopt Resolution Adopting Amended and Restated Code, Fees and Expense Policy, Investment Policy, Policies and Procedures for Section and Review of Consultants, Policies Concerning the Use of Management Information Including the Formation of an Audit Committee, Appointing Investment Officer, and Certain Other Matters.** The Board reviewed the Resolution Adopting an Amended and Restated Code of Ethics, Fees & Expense Policy, Investment Policy, Policies and Procedures for Selection and Review of Consultants, Policies Concerning the Use of Management Information Including the Formation of an Audit Committee, Appointing Investment Officer, and Certain Other Matters, a copy of which is attached hereto as Exhibit "D." Ms. Cogburn noted that the proposed changes to the District's Investment Policy are the result of changes to the Public Funds Investment Act. Discussion ensued regarding Exhibit 2 of the Investment Policy. It was the consensus of the Board to remove Collateralized Mortgage Obligations as an authorized investment.

Discussion ensued. It was the consensus of the Board that all of the Policies be adopted in separate documents.

Upon motion by Director Stine, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolutions Adopting an Amended and Restated Code of Ethics, Fees and Expense Policy, Investment Policy, Policies and Procedures For Selection and Review of Consultants, Policies Concerning the Use of Management Information Including the Formation of an Audit Committee, Appointing Investment Officers, and Certain Other Matters.

5. **Approve Annual Report of Financial Information and Operating Data.** The Board reviewed the draft of the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "E." Ms. Cogburn stated that the District is required to file such report pursuant to the bond orders for the District's 2003, 2006, and 2010 bond issues. Upon motion by Director Lentz, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Annual Report on Financial Information and Operating Data and to authorize the filing of same.

6. **Review Tax Collector's Report and authorize payment of certain bills.** Ms. McLaughlin presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of August 2011 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "F." Ms. McLaughlin noted that 98.7% of the District's 2010 taxes had been collected as of August 31, 2011. 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 1656 through 1659 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

The Board reviewed a letter from Tribolet Fuller & Company, PLLC on behalf of a homeowner (Ms. Karen Tedford) requesting waiver of the penalty and interest on her 2010 tax bill, a copy of which is attached to the Tax Assessor and Collector's Report. It was noted that there is no legal basis for waiving the penalty and interest.

7. **Adopt Order Designating Officer to Calculate and Publish Tax Rate.** Ms. Moran presented to and reviewed with the Board a cash flow analysis and recommendation for levying the 2011 tax rate, a copy of which is attached hereto as Exhibit "G." Discussion ensued regarding lowering the debt service tax rate. The Board reviewed the draft Order Designating Officer to Calculate and Publish Tax Rate for 2011, a copy of which is attached hereto as Exhibit "H." Upon motion by Director Lentz, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Designating Officer to Calculate and Publish Tax Rate for 2011, thereby authorizing the District's tax assessor and collector to publish the proposed tax rate of \$0.22 for \$100 assessed valuation (\$0.125 for debt service and \$0.095 for operations and maintenance).

8. **Operations Report and Billing and Collections Report.** Mr. Jones presented to and reviewed with the Board the Operations Report for August 2011, a copy of which is attached hereto as Exhibit "I." Mr. Jones reported that 100.37% of the water pumped was billed for the month ending August 13, 2011.

Mr. Jones noted that there were 130 delinquent accounts.

Mr. Jones requested permission to turn over four accounts in the aggregate amount of \$216.38 to collections and to write off three accounts in the aggregate amount of \$43.15.

Mr. Jones reported that there is a dead tree on the golf course property that is very close to the District's lift station. Director Stine directed Mr. Jones to contact Joe Stunja of Pinehurst Trail Holdings to have the tree removed.

In response to a question, Mr. Jones reported that the payments to Harris County MUD No. 153 ("No. 153") are for service being provided by No. 153 to 8000 FM 1960 East. Mr. Jones stated that the property is within the District, but No. 153 is providing the property with water. Discussion ensued regarding the surface water rates charged by No. 153.

Upon motion by Director Stine, seconded by Director Lentz, 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 the delinquent accounts, and to authorize ST to turn over four accounts in the aggregate amount of \$216.38 to collections and to write off three accounts in the aggregate amount of \$43.15.

9. **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:

There are no projects with active capacity commitments.

Kinder Morgan pipeline extension: Brown & Gay provided plans to the City of Houston for Atascocita Shores Drive. A natural gas pipeline will be directionally drilled under Lake Houston to the Kinder Morgan substation just west of Atascocita Shores Drive. Brown & Gay emailed the contractor names to ST today in the event there are any utility line damages.

La Quinta Inn (6909 Atascocita Road): The plans were approved on September 7, 2011.

Car Wash by HEB: Brown & Gay provided the engineer with the District's service requirements. A capacity commitment request has not yet been received.

Atascocita Shopping Center (7920 FM 1960 East): Brown & Gay has not yet received the requested plumbing sketch for an additional ¾-inch meter requested to supplement the existing water service.

Water Plant Expansion (Schier Construction):

Pay Estimate No. Eight in the amount of \$17,010.00 has been reviewed and is recommended for approval and payment. The estimate includes payment for sterilization and start-up of the Hydro-Pneumatic Tank ("HPT") and the ground storage tank ("GST"), indoor conduit for the control building, and coatings on the yard piping. Funds totaling 10% of the completed work have been withheld from payments to date (\$110,192.50).

The generator at Water Plant No. 1 (Rebawood) is operational. A start-up meeting with ST was held by the contractor on September 13, 2011. The damaged fence has been repaired by the contractor.

The shop drawings for the GST at Water Plant No. 2 on West Lake Houston Parkway have been reviewed. The exterior paint color selected to best match the existing galvanized GST and the control building was TNEMEC 61BL, Blue Ribbon.

The work on the overflow weir in the existing GST and the inspections of the GST and the older HPT has been delayed, unless water demands drastically subside soon.

Sanitary Sewer Rehabilitation, Phase IV:

The warranty inspection will be scheduled at the appropriate time so any warranty issues can be addressed by June 10, 2012.

Capital Improvements Summary:

The Capital Improvements Summary is attached to the Engineer's Report. The Summary was updated with ST's plant maintenance reviews. Brown & Gay emailed the summary to First Southwest Company in August 2011 for reference during tax rate analyses.

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. Ms. Zapletal stated that the current numbers are not yet available.

To Brown & Gay's knowledge, there have been no recent odor complaints from residents in the area.

Upon motion by Director Letnz, 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 and authorize payment of Pay Estimate No. Eight for the water plant expansion project in the amount of \$17,010.00.

10. **Review and authorize capacity commitment letters.** There have been no capacity commitment requests since the last meeting.

11. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4 ("KRE4").** Ms. Zapletal reviewed the following information from the written Engineer's Report, a copy of which is attached hereto as Exhibit "J."

Diversion Swale and Berm for Kings River Estates, Section Four

A pay estimate has not been received from the contractor. Funds totaling 10% of the completed work have been withheld from payments to date (\$27,478.67).

The contractor has not provided confirmation of a date to return to the site to complete the preliminary punchlist items noted and the remaining bid items. Brown & Gay contacted F&J to review the performance provisions in the contract.

Ms. Cogburn reported that F&J reviewed the contract and recommends that the Board authorize the engineer to draft a letter to the contractor (C.E. Barker) providing notice that pursuant to the terms of the construction contract: (1) the District intends to turn over the matter to the bonding company if the remaining work is not completed within seven days of notice or (2) C.E. Barker can authorize the District to perform the remaining work for the amount at C.E. Barker's expense.

Upon motion by Director Holder, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's engineer to draft a letter to C.E. Barker notifying them that pursuant to the terms of the construction contract: (1) the District intends to turn over the matter to the bonding company if the remaining work is not completed within seven days of notice or (2) C.E. Barker can authorize the District to perform the remaining work at the expense of C.E. Barker.

Drainage Improvements for Kings River Estates, Section Four (C.E. Barker, Ltd.)

CE Barker completed the driveway apron replacement at 20710 Kings Crown Court. At the joint, a full-depth header sealed was installed and then sealed with epoxy to help reduce the amount of excess runoff that may reach the steel reinforcement. Although an epoxy seal was installed, the staining could return in the future without reduction of water

runoff from the irrigation system. Brown & Gay issued a letter to the residents, a copy of which is attached to the Engineer's Report.

12. **Discuss and take any action in connection with District communications, including approval of agreement for communications consulting program.** Ms. Wynn reported that Texas Network is in the process of finalizing the redesign of the District's website. Ms. Wynn noted that the quarterly newsletter has been distributed.

Ms. Wynn noted that Texas Network is coordinating with MK Photography to add 20 updated photographs to the District's website.

Ms. Wynn reviewed with the Board a proposed contract for Communications Consulting Program with Nicole Wynn, a copy of which is attached hereto as Exhibit "K." Upon motion by Director Lentz, seconded by Director House, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Communications Consulting Program Contract with Nicole Wynn.

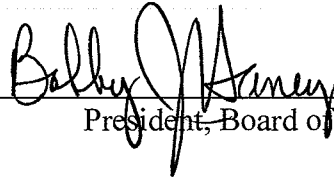
13. **Discuss and take necessary action in connection with Drought Contingency Plan.** No action was taken on this item.

14. **Other matters.** Ms. Cogburn presented to and reviewed with the Board an Agreement for the Rental of Equipment and Sale of Services with ES&S for electronic voting machines for the May 2012 Director elections, if necessary, a copy of which is attached hereto as Exhibit "L." Ms. Cogburn noted that the District would not be responsible for any fees to ES&S if the District ES&S (in writing) 30 days prior to April 1, 2012 of cancellation of the election. Upon motion by Director Stine, seconded by Director Lentz, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement for the Rental of Equipment and Sale of Services with ES&S.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

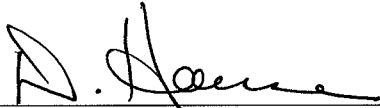
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The above and foregoing minutes were passed and approved by the Board of Directors on October 20, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

