

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 21, 2006

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 Trails Drive, Humble, Texas on December 21, 2006 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 Hughes. Also attending all or parts of the meeting were Ms. Beulah Kelly of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Ben Pawlak 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. (“*Brown & Gay*”), engineer for the District; Ms. Nikki Wynn of Payne Communications; Mr. Dan McDonald of Anco McDonald Waterworks Insurance; Mr. Bill Walker of Harco Insurance Services; Mr. Marshall Schoth of AquaSurance Insurance; Ms. Alicia Angst of the Atascocita Observer Newspaper; Ms. Jana Cogburn and Ms. Carla Christensen of Fulbright & Jaworski L.L.P. (“*F&J*”), attorneys for the District; and residents of the District. A sign- in sheet 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 November 16, 2006, 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 16, 2006, as presented.

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

3. **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 “C.” Upon motion by Director Haney, 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, to approve the

Investment Report, and to authorize payment of check numbers 5532 through 5560 from the Operating Account.

The Board reviewed the operating budget for fiscal year ending May 31, 2007, a copy of which is attached hereto as Exhibit "D." Director Stine stated that the District has expended \$318,454 more than the budgeted amount for repairs and maintenance. Mr. Mensik noted that the emergency force main repairs account for part of the expenditures.

4. **Review Tax Collector's Report and authorize payment of certain bills.** The Vice President recognized Mr. Pawlak, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for November 2006 and the delinquent tax attorney report, copies of which are attached hereto as Exhibit "E." Mr. Pawlak noted that 98.16% of the District's 2005 taxes and 5.76% of the District's 2006 taxes have been collected as of November 30, 2006. 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 1108 through 1113 from the Tax Account to the persons, in the amounts, and for the purposes listed therein.

Mr. Pawlak inquired whether the Board would like an aerial photograph of the District as of January 1, 2007. Mr. Pawlak stated that such photograph will cost approximately \$400-\$500. Upon motion by Director Haney, seconded by Director Stine, after full discussion and the question being put to the Board, the Board voted unanimously to authorize payment for an aerial photograph.

5. **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 "F." Mr. Mensik reported that 96.48% of the water pumped was billed for the month ending November 24, 2006. Upon motion by Director Haney, seconded by Director Stine, 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.

6. **Status report and take any action in connection with collection of builder damages (Margaret Poissant).** There was nothing to report on this item at this time.

7. **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 "G," 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 revised construction plans have been reviewed and comments have been provided to Brewer & Escalante Engineers. Brown & Gay will not release taps until the recorded water meter easement and Harris County signature approval of the plans are received.

- c. 8-Acre Tract north of Wachovia on FM 1960 East: An engineer for a prospective buyer of this tract has requested the construction plans for the utilities on the tract. Brown & Gay is currently working to scan the plans to email the engineer. Brown & Gay has provided the utility and drainage plans to the engineer in addition to instructions on the capacity commitment and plan review process. Brown & Gay has also provided a utility availability letter to the engineer for use in his due diligence.
- 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.

Sanitary Sewer Rehabilitation – Phase III:

No pay estimate was received from Insituform Technologies since the last Board meeting. BGE has requested a date for the TCEQ inspection and expects to conduct the inspection prior to January's meeting. Ms. Zapletal reported that Insituform Technologies, Inc. has agreed to reimburse Mr. Brinkley \$350.00 for the removal of dead trees. The contractor informed BGE that they have requested a receipt from the resident for the \$350.00 payment for the tree removal at 8007 Hurst Forest to process the refund to the resident.

Emergency Rehabilitation of 18-Inch Sanitary Sewer Force Main:

Pay Estimate No. 4 in the amount of \$94,278.78 from Insituform Technologies has been reviewed and is recommended for approval and payment. The shares of this pay estimate are as follows: HCMUD 132 = \$53,550.35, HCMUD 151 = \$11,784.85, and HCMUD 153 = \$28,943.59. The pay estimate includes payment for seven spool connection, completion of Change Order No. One (two ARV manholes and coating of the bends at the lift station), completion of Change Order No. Two (adjusting ARV manhole rim elevations and open-cut replacement of pipe at the discharge manhole), and completion of a portion of Change Order No. Three (point repair items). The final amount of Change Order No. Three will be less than anticipated because some work items were not utilized for construction. Brown & Gay is currently researching the ownership of the 18-inch gravity sanitary sewer to determine if there is a cost sharing agreement with Harris County MUD No. 151. Brown & Gay hopes to determine any shares, if any, prior to the January meeting. If there is a cost sharing agreement, Brown & Gay will request Harris County MUD No. 151 reimburse the District for that portion of the expenditures.

The generator project contractor, C.F. McDonald Electric, will be replacing the fencing that was removed for the force main construction. The TCEQ inspection was held on Wednesday, December 13th at 10:00 a.m., and the contractor has completed work on the punch list items. Brown & Gay expects to present the final pay estimate in January.

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

The Notice to Proceed for the project was issued for Monday, October 23rd. The original contract amount is \$941,636.50. Brown & Gay has received and approved several submittals to date, including submittals for the generators, paint color (with assistance by Severn Trent for color selection), electrical gear, and automatic transfer switches.

Pay Estimate No. One from C.F. McDonald Electric, Inc. in the amount of \$192,600.00 has been reviewed and is recommended for approval and payment. The pay estimate includes payment for completion of the foundations and conduit rough-in at Water Plants No. 1 and 2 and Lift Stations No. 2 and 3 and for bonds and insurance.

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 Pay Estimate No. Four from Insituform Technologies in the amount of \$94,278.78 in connection with the emergency force main repairs and authorize payment of the District's share of this pay estimate (\$53,550.35) and to approve Pay Estimate No. One from C.F. McDonald in the amount of \$192,600.00 in connection with the installation of the natural gas generators at the water plants and lift stations.

8. **Review and authorize capacity commitments.** Ms. Zapletal stated that no capacity commitment requests have been received since the last Board meeting.

9. **Discuss and take any action in connection with drainage issues in Kings River Estates, Section 4.** Ms. Zapletal reported that a topographical survey of the site will be conducted after the holidays and Brown & Gay will present the findings and any recommendations at the January Board meeting.

10. **Presentations from Insurance Companies.** The Vice President recognized Mr. Walker, who presented to and reviewed with the Board the insurance proposal and a summary of considerations from Harco Insurance Services, copies of which are attached hereto as Exhibit "H."

The Vice President recognized Mr. Schloth, who presented to and reviewed with the Board the insurance proposal from AquaSurance, a copy of which is attached hereto as Exhibit "I."

Ms. Christensen noted that the insurance proposal from Harco Insurance Services does not contain the most current property values. Ms. Zapletal stated that she will coordinate with Mr. Walker and provide him with the current property values. Ms. Christensen stated that she will forward an updated proposal to the Directors upon receipt.

11. **Consider and approve action authorizing electronic document recording, director access, and establishing an extranet for District directors and consultants.** Discussion ensued regarding the options in connection with the Ringtail database and Extranet website. Director Wilkinson stated that she attended F&J's recent presentation on the new applications. Upon motion by Director Stine, seconded by Director Haney, and after full discussion and the question being put to the Board, the Board voted unanimously to authorize payment for the enhanced record management services for \$1,500, to authorize F&J to proceed

with loading important historical District records on the Ringtail database for an approximate cost of \$2,000, and to authorize the creation of an Extranet website for the District for \$1,000.

12. **Presentations from Insurance Companies.** The Vice President recognized Mr. McDonald, who presented to and reviewed with the Board the insurance renewal proposal from Anco McDonald Waterworks Insurance, a copy of which is attached hereto as Exhibit "J." Discussion ensued. In response to a question, Ms. Zapletal noted that the increased property values are due to an increase in the replacement costs and the addition of the new generators.

13. **Discuss and take any action in connection with renewal of District Insurance (expires January 24, 2007).** This item was deferred until the next Board meeting.

14. **Discuss and take any action in connection with District Communications.** The Vice President recognized Ms. Wynn, who reported that the first District newsletter is complete and was mailed to District residents on Monday. Ms. Wynn stated that she will present the outline for the next newsletter at the January Board meeting.

15. **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.

* * *

The above and foregoing minutes were passed and approved by the Board of Directors on January 18, 2007.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)