

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
August 25, 2005

THE STATE OF TEXAS §
COUNTY OF HARRIS §
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153 §

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 153 (the "District") met in special session, open to the public at Walden Lake Houston Country Club at 18100 Walden Forest Drive, Humble, Texas 77346, at 9:00 a.m. on Thursday August 25, 2005, whereupon the roll was called of the members of the Board, to-wit:

Gerald Lavey, President
Jim Davis, Vice President
William Clarey, Secretary
Richard DeYoung, Treasurer
Sam Claytor, Jr., Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Mr. Gary Hastings of Aqua Services, L.P., operator for the District; Mr. Mark Burton of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Mr. Mike McCall of McCall, Gibson & Company, auditor for the District; Mr. Bob Leared of Bob Leared Interests, tax assessor-collector for the District; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Yolanda Waters, District resident; Ms. Kim Spurlock, landowner near District; Ms. Anne Vickery of Gary Greene Realtors, realtor for buyer of land near the District; and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order in accordance with the notice posted pursuant to law, Chapter 551, Government Code; Section 49.063, Texas Water Code; copies of certificates of posting of which are attached hereto as Exhibit "A", the following business was transacted:

1. **Minutes of the meeting of July 20, 2005.** Minutes of the meeting of July 20, 2005, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Davis, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of July 20, 2005, as presented.

2. **Public Comments.** The President recognized Ms. Vickery who informed the Board that she represented Mr. Craig Johnson, a potential buyer of land near the District. Ms. Vickery reported that she had talked with the District engineer about annexation and extending water and force main facilities to serve a 5.0 acre tract south of the District on West Lake Houston Parkway. Ms. Zapletal reported that her cost estimate is approximately \$480,000 and

that the tract would require a lift station. Ms. Vickery asked the Board if it is possible in the near future to get utilities from the District. The Board stated that it does not see service extending that far out of the District in the near future. The Board informed Ms. Vickery that the land adjacent to the District should be connected first and that it takes four to six months to annex. The Board also informed Ms. Vickery that the developer of the land would have to pay for the utility construction costs, and that the developer would not be reimbursed until there is taxable value on the ground and the District issues bonds.

The President recognized Ms. Spurlock, who informed the Board she owns land south of the District and is planning to build an office building there. Ms. Spurlock requested utilities from the District. The Board informed Ms. Spurlock that the District plans on serving land adjacent to the District first and she may want to consider contacting the municipal utility district just south of her land.

3. **Discussion of jogging trail and park.** The President recognized Ms. Waters, who reported she is representing the Community Services Association (“CSA”) and Walden Property Owners Association (“POA”). Ms. Waters informed the Board that the CSA and POA have decided to create passive recreation for the residents of the District. Ms. Waters stated they are interested in creating a jogging trail and a park for the District. Ms. Waters stated it would take approximately two years to construct the jogging trail; however, the park may be constructed as they receive money and would be available for use in the near future. Ms. Waters presented to the Board a construction cost estimation for the park, a copy of which is attached hereto as Exhibit “B.” Ms. Waters informed the Board that Mr. Matt Sieford has already donated a 1.33 acre lot for the construction of a park. Ms. Waters requested help from the District in funding the construction of the park. Director Davis asked Ms. Waters what they planned to do for parking for this park. Ms. Waters informed the Board that parking is in the last phase of the project, and that the plan is for parking for ten cars as well as bike racks. Ms. Waters reported that she had invited the neighbors of the future park site to the public meeting on the issue, however, they did not attend. Ms. Waters reported that the neighbors of the future park site do not want people driving into the cul-de-sac.

Director Lavey informed the Board he had contacted a graduate student at A&M in the Recreational Facility program and inquired about having a graduate student draw up park plans for the District. The student informed Director Lavey she would have to get back with him after talking with the professor and also asked if any money was available for the project.

Discussion ensued on the merits of the District helping fund construction of a park and the anticipated expenses of the District. The Board requested a plan of the park. Mr. Zabaneh informed the Board that the sewer rehabilitation project will cost the District approximately \$2,000,000. The Board also requested Mr. Burton prepare a projected cash flow for the District so the Board may make a decision on how much money the District may contribute to the park project. The Board asked Ms. Waters to provide Mr. Zabaneh the specifications of the park so he can prepare bid specifications for construction of the park.

Upon motion by Director Davis, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Zabaneh to draw bid specifications for construction of the park.

4. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Mr. Leared, who presented to and reviewed with the Board the Tax Assessor-Collector's Report for July, a copy of which is attached hereto as Exhibit "C." Mr. Leared reported that collection is at 97.2% for the District, and that the District's delinquent tax accounts were turned over to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. on July 1, 2005. Mr. Leared reported that HCAD is supposed to have certified values on August 26. Mr. Leared said this will provide enough time for the District to propose the tax rate, and publish the tax rate in September, and proceed to set the tax rate and mail the tax bills in October.

Mr. Leared informed the Board that there is some issue of HCAD having the correct owner listed for the shared lift station with HC MUD 152 as the developer received the tax bill. Mr. Leared requested the Board authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to perform a title search on the property to discern if HCAD's records are correct.

Upon motion by Director DeYoung, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to authorize Perdue, Brandon, Fielder, Collins & Mott, L.L.P. to perform a title search for the shared lift station with HC MUD 152.

5. **Approve audit for fiscal year ending March 31, 2005.** The President recognized Mr. McCall, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2005, a copy of which is attached hereto as Exhibit "D." Mr. McCall reviewed the Independent Auditor's Report with the Board. Mr. McCall explained that while the report does not state an opinion on the internal controls of the District, he does audit the controls of the District's consultants. Mr. McCall further reported that the District does not have to meet Sarbanes-Oxley requirements. Mr. McCall explained to the Board that due to GASB 34 requirements, there is more information in the audit, specifically the adjustments column as well as the Management's Discussion and Analysis. Mr. McCall explained that the GASB 34 requires the audit to appear the same as it would if the District was a "for profit" entity. This adjusts the funds to short term receivables and payables, and adds depreciation of the District's assets. Mr. McCall said this is a draft and he expects the final version to be complete in two weeks. Upon motion by Director Claytor, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to approve the draft of the audit for the District for fiscal year ending March 31, 2005, subject to the changes discussed by Mr. McCall.

6. **Developer's Report.** There was nothing to report at this time.

7. **Discussion and consideration of annexation.** This item was covered under public comments.

8. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibits "E" and "F," respectively. Discussion ensued on the pledged security with a large variance between

market and par value. Mr. DeYoung reported that he investigated the matter and that it was a collateralized mortgage obligation and that due to refinancing the principal was paid off. Mr. Burton assured the Board that the security was good for the pledged amount.

Upon motion by Director Clarey, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, Investment Report, and to pay the bills listed therein.

9. **Atascocita Joint Operations Board ("AJOB") report.** Director Lavey reported that the bids open today on the sewer plant project and they expect to get at least ten bidders for the job.

10. **Operator's Report.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operator's Report, including the Constable's Report, a copy of which is attached hereto as Exhibit "G." Mr. Hastings reported that accountability is at 104.8% for the District. Mr. Hastings reviewed the Drought Monitoring graph with the Board and reported the District is in good condition.

The Operator's Report included letters to Choice Homes and Legend Homes regarding payment of backcharges. Mr. Hastings requested the Board's approval to send the letters in an attempt to collect payment.

Mr. Hastings reported that Ms. Amanda Kinel did not want to allow Aqua Services to dig in her front yard. Mr. Hastings informed the Board he would research the location of the water line and if necessary, will have a constable on the premises when he digs if it is determined to be in her front yard but within the public road and utility easement.

Upon motion by Director Claytor, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and the letters to Choice Homes and Legend Homes.

11. **Engineer's Report including a review of Engineer's projects and capital repairs.** The President recognized Ms. Zapletal, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." Ms. Zapletal recommended approval of Pay Estimate No. Five from W.W. Payton Corporation for Improvements to Water Plant No. One, Pay Estimate No. Ten from LTG Enterprises for Phased Cleaning and Televising of Sanitary Sewer Mains, and Pay Estimate No. Six from Reynolds Inliner, L.L.C. for the Sanitary Sewer Rehabilitation, Phase I. Ms. Zapletal reported that the painting subcontractor oversprayed a few cars and that the subcontractor will pay for the paint removal for the cars.

Ms. Zapletal informed the Board that the District attorney would review the letter to the homeowners at 19407 and 19411 Aquatic Drive for payment for repair of the bulkhead. Ms. Zapletal reported that Mr. Perry with Century Engineering has requested water and sewer capacity for construction of an office building and medical clinic located on West Lake Houston Parkway. Ms. Zapletal requested the Board approve the capacity commitment to Mr. Perry. Finally, Ms. Zapletal reported that they had received a call from Weisser Engineering Company requesting utility information for Atascocita Office Park, Section One.

Upon motion by Director DeYoung, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to approve payments of Pay Estimate No. Five from W.W. Payton Corporation, Pay Estimate No. Ten from LTG Enterprises and Pay Estimate No. Six from Reynolds Inliner, LLC.; and to authorize the capacity commitment to Mr. Perry for the proposed Atascocita Professional Building.

12. **Accept Easement to Serve Lake Houston Performing Arts Center.** The President recognized Ms. Zapletal, who informed the Board there have been revisions to the easement and it should be ready for the next District meeting.

13. **Harris County Flood Control District Partnership.** There was nothing to report at this time.

14. **Consider photographs for web site and take any necessary actions.** The President recognized Ms. Deitrick, who requested the Board approve the use of photographs provided by the web design company on the District web site. Upon motion by Director Claytor, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to approve the use of the photographs on the District's web site.

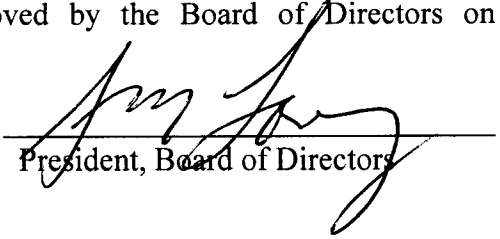
15. **Determine date and place of next meeting.** The next monthly Board meeting will be held on September 21, 2005 at 11:30 a.m. at the offices of F&J.

16. **Other matters.** There was nothing further to report at this time.

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

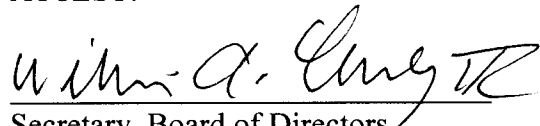
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The foregoing minutes were passed and approved by the Board of Directors on September 21, 2005.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

