

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
July 18, 2007

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 regular session, open to the public at Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010, at 11:30 a.m. Wednesday, July 18, 2007, whereupon the roll was called of the members of the Board, to-wit:

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

All members of the Board were present, except Director DeYoung. Also attending all or portions of the meeting were Mr. Gary Hastings of Aqua Services, L.P., operator for the District; Mr. Sam Zabaneh and Ms. Karena Hauter of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Ms. Autumn Phillips of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Mr. Bob Leared of Bob Leared Interests, tax assessor-collector for the District; Mr. Noel Barfoot of McCall, Gibson & Company, PLLC, auditor for the District; Mr. Louis Trapolino of Academy Development, developer of land proposed to be annexed by the District; and Mr. Oliver Pennington 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 June 20, 2007.** Minutes of the meeting of June 20, 2007, previously distributed to the Board, were presented for consideration and approval. 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 approve the minutes, as presented.

2. **Public Comments.** There were no public comments.

3. **Approve audit for fiscal year ended March 31, 2007.** The President recognized Mr. Barfoot, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2007, a copy of which is attached hereto as Exhibit "B." Mr. Barfoot reviewed the Statement of Activities and highlighted some of the major expenses the

District incurred in the previous year. He stated that information on pages 43 and 51 would be completed before the audit was finalized.

Mr. Barfoot presented to and reviewed with the Board the Statement on Auditing Standards No. 112, a copy of which is attached hereto as Exhibit "C." Mr. Barfoot reviewed the new requirement of a management letter to note material weaknesses. He also reviewed the possible steps that can be taken to remove the material weakness. Mr. Barfoot noted that McCall, Gibson & Company does not recommend hiring another consultant to prepare the financial statements. He stated that it would nearly double the cost of the audit preparation and not provide additional financial information. Mr. Barfoot reported that utility district financial advisors have noted no negative impact from the management letters and that there has been no reaction by the municipal bond insurance companies. Mr. Pennington stated that the management letter has not impacted the District's credit rating at this time. The President requested confirmation by Mr. Barfoot that the financial statements are accurate and Mr. Barfoot assured Director Davis that they are accurate. Mr. Pennington asked if the financial statements needed to be prepared on a monthly basis. Mr. Barfoot stated that he did not see a benefit from the monthly preparation of the financial statements. Mr. Barfoot reviewed the draft Board response to the management letter. Director Claytor requested confirmation that the management letter states no fraud was found. Mr. Barfoot confirmed that the management letter stated that no fraud was found.

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 draft of the audit for the District for fiscal year ending March 31, 2007, subject to any necessary changes by Mr. Barfoot, to approve the Board's response in the management letter and to authorize the President to sign the letter stating the Board does not know of any fraud in the financial statements.

**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 June, a copy of which is attached hereto as Exhibit "D." Mr. Leared noted that 96% of the District's 2006 taxes have been collected as of June 30, 2007.

Mr. Leared reported that the delinquent accounts have been turned over to Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("PBFCM") for collection. He recommended obtaining a report from PBFCM in September or October to get the status on collection of the delinquent accounts.

Upon motion by Director Soliz, 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, and to authorize the expenditures listed therein.

**5. Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Ms. Phillips, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "E."

Ms. Phillips presented to and reviewed with the Board the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Soliz, 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, and to authorize payment of the checks listed therein.

**6. Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey reported that the Wastewater Treatment Plant Expansion project is progressing. He stated that the AJOB Board discussed disaster recovery and backup issues. Mr. Zabaneh reported that the size of the Wastewater Treatment Plant creates a backup problem. Director Clarey reported that the power company prioritizes water and sewer service after hospitals. He stated that the energy costs for the expanded plant will be approximately \$50,000 per month. Director Clarey stated that after a few months of operation, the AJOB Board should be able to determine a correct budget for energy costs for the plant. Mr. Zabaneh confirmed that the energy used by the blowers at the plant would be optimized to minimize the energy costs.

Director Clarey reported that many of the AJOB districts have stopped monitoring sanitary sewer flows. He stated that the AJOB Board decided to stop collecting the flow monitoring data. Mr. Zabaneh stated that the monitoring of the flows is the only way to determine that the districts are maintaining their sanitary sewer systems. It was the consensus of the Board to continue the flow monitoring.

Mr. Zabaneh reported that the AJOB Board asked Mr. Zabaneh to determine if an additional diesel storage tank should be added.

**7. Operator's Report.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "G." Mr. Hastings reported that the Aqua Services invoice was unusually large this month due to extensive sewer point repairs and fire hydrant repairs.

Mr. Hastings reported that Mr. Mesker lives in a cul-de-sac and flushes the waterline that dead ends at the cul-de-sac once a week due to rust in the line. He stated that Mr. Mesker mentioned that he may move in the future and that Aqua Services should arrange for management of flushing of the waterline. Mr. Hastings reviewed the options of installing an automatic feed on a sprinkler, having Aqua Services flush it once a week or extending the waterline to either another cul-de-sac or back to the waterline. The Board discussed the options and decided to wait until a new owner moves in and determines the waterline needs weekly flushing.

Upon motion by Director Claytor, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, and to terminate the delinquent accounts listed therein.

**8. Engineer's Report including a review of Engineer's projects and capital repairs.** The President recognized Ms. Hauter, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "H." Ms. Hauter presented

for approval Pay Estimate No. Three from Reynolds Inliner, LLC in the amount of \$173,097.00 for the Sanitary Sewer Rehabilitation, Phase III.

Ms. Hauter presented for approval Pay Estimate No. One from Ben Felts Utility Construction Company in the amount of \$24,799.50 for the Modifications to Existing Water Meter and Vault Located at West Lake Houston Parkway. Ms. Hauter reported that there was a leak in the existing waterline that caused settlement around the location of the leak. She stated that the leak will be repaired and backfilled this week with weather permitting.

Ms. Hauter reported that the plans for the lift station rehabilitation have been approved and are being advertised for bids. She stated that the bids will be presented at the August Board meeting.

Ms. Hauter reported that the boundary discrepancies between Academy Development and the owner of the 32 acre tract have not been resolved.

Ms. Hauter reported that the clearing and site preparation of Water Haven, Phase I, have been completed. She stated that Pace Services has begun construction of the storm sewer for the utility construction contract.

Upon motion by Director Claytor, seconded by Director Soliz, 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. Three from Reynolds Inliner, LLC. in the amount of \$173,097.00 for the Sanitary Sewer Rehabilitation, Phase III; and to approve Pay Estimate No. One from Ben Felts Utility Construction Company in the amount of \$24,799.50 for the Modifications to Existing Water Meter and Vault Located at West Lake Houston Parkway.

**9. Update on Expansion of Water Plant No. 2 for proposed annexation tracts and Harris County MUD 494 for The Bridges at Lake Houston and Take Any Necessary Action.** Ms. Hauter reported that BGE has received confirmation of the allocated connections from the owners of the 1.49 and 1.54 acre tracts. She stated that Academy Development and Harris County Municipal Utility District No. 494 ("MUD 494") have not finalized their land plans and have not confirmed the allocated connections. Mr. Trapolino reported that the title companies are still resolving the boundary discrepancy between Academy Development and the owner of the 32 acre tract. He stated that Academy Development has not closed on the 30 acre tract to be used for detention also due to title issues. Mr. Trapolino reported that he spoke with Mr. Jones of W.Y. Atlantis today, who indicated that HC MUD 494 does intend to go forward with sharing in the construction costs of Water Plant No. 2. Mr. Zabaneh stated that before proceeding with design of Water Plant No. 2, the District needs to have the checks from Academy Development and MUD 494. Mr. Zabaneh stated that the District will issue bonds for the District's share of the Water Plant No. 2 costs that it is unable to pay for from the Operating Fund. Mr. Trapolino indicated that Academy Development is ready to sign an annexation agreement. Mr. Pennington stated that the property owners should be informed that if they do not advance the funds, then the capacity for their tracts will not be built into the water plant.

**10. Approve Agreement with Harris County MUD No. 494 and the Developer in that District.** No action was taken on this item.

11. **Consider Annexation Agreements and Reimbursement Agreements.** No action was taken on this item.

12. **Approve Continuing Disclosure Materials and Authorize Filing.** Mr. Pennington reported that the District auditor has inserted the required supplemental information into the audit so that the filing of the audit will meet the continuing disclosure requirements. Mr. Pennington asked the Board to approve filing of the District's annual audit with the necessary agencies. Upon motion by Director Claytor, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the filing of the annual audit as part of the Continuing Disclosure Materials.

13. **Review Consultant Contracts.** The President recognized Mr. Pennington, who reported that this is an annual item for the District. It was the consensus of the Board not to change the current status.

Director Soliz requested that the District's investment officers inform the Board of their investment strategies for the District's funds. Ms. Phillips reported that she would bring that information to the August Board meeting.

14. **Attorney's Report.** No action was taken on this item.

15. **Report on Association of Water Board Directors Summer Conference.** Mr. Zabaneh reported that there is new legislation that will require an energy conservation plan and reduction by 5% in electricity. He stated that he would discuss options to manage this new requirement with Mr. Hastings.

Mr. Pennington reported on weather sensors for irrigation systems to conserve water. He stated that the sensors only cost \$200 and suggested that the District may want to purchase a few sensors to provide to residents to determine the impact of the devices.

16. **Other matters.** Director Soliz presented to and reviewed with the Board correspondence on issues that arose between Board meetings, a copy of which is attached hereto as Exhibit "I." Director Soliz reported that a resident on Aquatic contacted him regarding a drainage problem. Director Soliz attempted to contact the resident several times and left messages to contact the operator.

Director Soliz reported that National Geographic and U.S. News & World Report have informative articles on the world's water supply.

Director Soliz reported that a lot in the District has been foreclosed upon and written off to the school district. He stated that it went to auction and had no bids. Director Soliz reported that the Walden Community Services Association has incorrectly erected a sign claiming ownership. Mr. Pennington stated that as the proceeds are collected from the sale, that the taxing entities will be paid off pro rata. The Board discussed the pros and cons of purchasing the property to develop a park. It was the consensus of the Board not to pursue purchasing the property as deed restrictions probably prohibit its use as a park.

17. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on August 15, 2007 at 11:30 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas 77010.

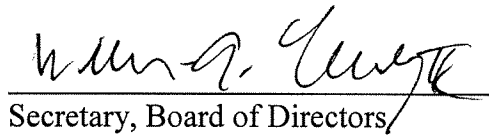
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on August 15, 2007.

  
President, Board of Directors

ATTEST:

  
Secretary, Board of Directors

(DISTRICT SEAL)

