

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
November 21, 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, November 21, 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 Directors Claytor and 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. Amy Zapletal 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; Ms. Brenda McLaughlin of Bob Leared Interests, tax assessor-collector for the District; Mr. Allen Jones and Mr. Wyatt Henderson of W.Y. Atlantis, Ltd, Mr. David Borengasser of Montgomery and Associates, engineer for W.Y. Atlantis; Ms. Jennie Trapolino and Mr. Louis Trapolino of Academy Development; Mr. Jason Johnson of R.G. Miller, engineer for Academy Development; 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 and, in accordance with notice posted pursuant to law, copies of certificates of posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes of the meeting of October 17, 2007.** Minutes of the meeting of October 17, 2007, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Clarey, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve such minutes, as presented.
2. **Public Comments.** There were no public comments.

3. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Ms. McLaughlin, who presented to and reviewed with the Board the Tax Assessor-Collector's Report for October, a copy of which is attached hereto as Exhibit "B." Ms. McLaughlin noted that 98% of the District's 2006 taxes and 0.9% of the District's 2007 taxes have been collected as of October 31, 2007.

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.

4. **Approve Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation, a copy of which is attached hereto as Exhibit "C." He reported that the District's engineer and financial advisor have requested the estimate of value as of December 1, 2007, for use in preparing the bond report and financial attachments. Ms. McLaughlin stated that she would provide the Resolution to the Harris County Appraisal District. Upon motion by Director Clarey, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.

5. **Engineer's Report, including 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 "D." Ms. Zapletal presented for approval Pay Estimate No. 7 from Reynolds Inliner, LLC in the amount of \$165,694.05 for the Sanitary Sewer Rehabilitation, Phase III. Ms. Zapletal reported that the Texas Commission on Environmental Quality ("TCEQ") has approved Change Order No. One for the Sanitary Sewer Rehabilitation, Phase III.

Ms. Zapletal reported on the annexation tracts. She reported that Academy Development is obtaining the updated title information from the title company to reflect the resolution of the boundary discrepancy. Ms. Zapletal reported that Mr. Wheless has become unresponsive to requests for advancement of the funds.

Ms. Zapletal reported that three change orders have been approved by Waterhaven. She stated that Change Order No. One in the amount of \$26,232.80 deleted the storm water pollution prevention plan items from the utility contract because Storm Water Solutions was hired under a separate contract. Ms. Zapletal stated that Change Order No. Two in the amount of \$800.00 added 32 Stage I Inlet Protection Barriers. She stated that Change Order No. Three added video inspection of the sanitary and storm sewer lines, which is required by the City of Houston. Ms. Zapletal reported that the Waterhaven developer will be installing the fence along the northern and western sides of Water Plant No. 1, and move the Water Plant No. 1 gate, as previously discussed.

Ms. Zapletal reported that Notice to Proceed has been issued to the contractor for the Lift Station Electrical Improvements. She stated that the contractor is waiting for the materials to arrive, which are expected in late December.

Ms. Zapletal reported that a storm water quality permit for Water Plant No. 1 expired. She recommended Board approval of two proposals by Storm Water Solutions, one in the amount of \$1,450.00 for renewal of the permit and one in the amount of \$2,670.00 for maintenance and storm water quality management services associated with Water Plant No. 1.

Ms. Zapletal reported that Texas Rainmaker still needs to provide BGE a hard copy of the recorded plat and the plumbing plans. She stated that upon receipt of these documents, BGE will issue an approval letter for water and sewer connections. Mr. Hastings reported that the tap fee originally quoted to Mr. Julian was for a two inch meter at a cost of \$14,600 and that his plans changed to a one inch meter which will be a tap fee of \$8,900. Mr. Hastings reported that he has discussed the change in tap fee with Mr. Julian of Texas Rainmakers. He stated that Mr. Julian is quite pleased with the tap fee reduction and apologizes to the Board for making the illegal tap. Mr. Hastings reminded the Board of his email notification of the discovery of the illegal tap made by Texas Rainmaker, a copy of which is attached hereto as Exhibit "E."

Ms. Zapletal presented the written proposal for preparation of the sixth bond issue, which is included in the Engineer's Report. She reported that the preliminary bond issuance totals \$2,960,000. Ms. Zapletal reported that Ms. Allen, the District's financial advisor, has given preliminary approval subject to BGE verifying the number of vacant lots remaining in the District. She stated that upon execution of the water supply agreement and receipt of all acceptable financial guarantees, the bond report may be submitted for TCEQ review and approval.

Ms. Zapletal reported that the owners of the 1.49 acre, 1.54 acre and 32 acre tracts have confirmed the number of connections for their respective tracts. She reported that Academy Development has revised its land plan and has reduced the number of connections to 414 equivalent single family connections ("ESFC"). Ms. Zapletal reported that Harris County Municipal Utility District No. 494 ("MUD 494") is proceeding with 1,350 ESFC. She stated that Mr. Wheless, the owner of the thirty acre tract, has not provided comment or confirmation on the number of connections for his tract. Ms. Zapletal presented to and reviewed with the Board the cost estimates as of September 28, 2007 and November 21, 2007, copies of which are attached hereto as Exhibits "F" and "G," respectively. She stated that the September 28, 2007 cost estimate phases the cost over three years and the November 21, 2007 cost estimate excludes the costs for serving the thirty acre tract and reduces the ESFC for Academy Development. Ms. Zapletal reported that she gave Mr. Wheless sixty days to respond in September. Mr. Pennington asked if it would be a problem for the planned layout of the utility lines to remove the thirty acre tract. Mr. Zabaneh stated that removing the thirty acre tract from the proposed annexation will not cause a problem. Ms. Zapletal reported that the cost to the District is reduced to approximately \$2,400,000 with the thirty acre tract excluded. She stated that it would cost the District an additional \$700,000 to construct Water Plant No. 2 to provide for the thirty acre tract. Mr. Pennington stated that there should be a meeting with Mr. Wheless to let him know he needs to advance the funds or be excluded from service by the District. The bookkeeper and engineers discussed how to process invoicing for the Water Plant No. 2 construction. It was determined that BGE will work out the invoicing system with the respective developers. Mr. Zabaneh reported that BGE needs to meet with Harris County and the City of Houston to confirm the proposed layout of the utility lines along West Lake Houston Parkway.

Ms. Trapolino reported that the survey of the ninety acre tract has been requested and will be provided to the District's engineer as soon as it is complete. She stated that the forty acre tract which Academy Development intends to use for detention has some title issues which involve seven lots. Ms. Trapolino reviewed her current efforts to clear the title on the seven lots and stated that if the land is condemned for detention by the District, then the land can be replatted as detention. Mr. Pennington stated that the land could not be annexed to the District until the title of the land is determined. He stated that there is new legislation regarding condemnation which may preclude the District from condemning the land because it is not part of the District. He stated that he would research the issue further. Ms. Trapolino reported that Academy Development is able to advance the funds for the engineering costs. She stated that Academy Development did not want to provide a letter of credit and pay the invoices as constructions progresses as this ties up twice as much funds. Ms. Trapolino stated a letter of credit costs Academy Development 100 basis points and that she would prefer to pay the construction costs as incurred. She stated that Mr. Pennington will determine if the TCEQ rules allow for this method of funding of construction costs. Mr. Trapolino reported that the number of connections for the 90 acre tract have been reduced due to increased lot size. He stated that Academy Development has increased the lot size to fifty-five foot and sixty foot lots. Ms. Trapolino reported that Academy Development will provide the District the right-of-way for Water Plant No. 2 as soon as necessary.

The Board discussed the option of assuming the construction costs for the thirty acre tract. It was the consensus of the Board to decide at the December Board meeting after it is determined whether the owners of the thirty acre tract will be participating in the construction project.

Ms. Zapletal reported that the Atascocita Joint Operations Board has not yet made a decision regarding the sale of wastewater capacity to MUD 494. She reported that there is sufficient capacity available to serve MUD 494. Mr. Zabaneh stated that the District should be allowed to sell a larger amount of wastewater capacity to MUD 494 as the District is funding the means to transport the capacity to MUD 494.

Upon motion by Director Clarey, 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 payment of Pay Estimate No. 7 to Reynolds Inliner, LLC in the amount of \$165,694.05 for the Sanitary Sewer Rehabilitation, Phase III; to approve the proposal by Storm Water Solutions in the amount of \$1,450.00 for renewal of the storm water quality permit; to approve the proposal by Storm Water Solutions in the amount of \$2,670.00 for maintenance and storm water quality management services associated with Water Plant No. 1; to approve the proposal by BGE for the preparation of the bond issue; and to authorize giving Mr. Wheless a deadline of December 19 to advance the funds for pro rated share of the construction costs for the thirty acre tract.

6. Discussion and necessary action regarding water and sewer service to Texas Rainmakers. This item was covered under the Engineer's Report.

7. Approve Brown & Gay Engineers Proposal to prepare bond issuance report. This item was covered under the Engineer's Report.

8. **Approve Order Authorizing Application for TCEQ Approval of Bond Issuance.** This item was deferred.

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.** This item was covered under the Engineer's Report.

10. **Discuss and take any necessary action in connection with sale of wastewater treatment plant capacity to Harris County MUD No. 494.** This item was covered under the Engineer's Report.

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

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

13. **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 "H." Ms. Phillips reported that check number 2494 has been voided as the Treebeards invoice amount has changed. She stated that check number 2502 is for a refund to Eagle Lake Gardens & Nursery, which will be completed once the construction costs are finalized by the District engineers.

Ms. Phillips reported that the Certificate of Deposit interest rates are dropping and that is why such a large portion of the District's funds are in the money market accounts.

Ms. Phillips reported that there is a credit on the Electricity Usage Report as the electric company estimates usage and then adjusts accordingly when the meter is read.

Upon motion by Director Clarey, seconded by Director Soliz, 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.

14. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** This item was covered under the Engineer's Report.

15. **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 "I." Mr. Hastings reported that he has sent out workers to confirm there are no leaks for the accounts on the delinquent list with large balances.

Mr. Hasting reported receipt of a letter from Lake Houston Church of Christ requesting an adjustment to its water bill due to a water leak. The Board discussed that it has no established policy to adjust water bills for leaks and instructed Mr. Hastings to send a letter denying the request.

Director Soliz praised Mr. Hastings' efforts for his diligence in keeping the Board appraised of activity in the District, in this case the illegal tap made by Texas Rainmaker. Director Soliz requested a formal letter reprimanding Texas Rainmaker for making the illegal tap.

Upon motion by Director Clarey, seconded by Director Soliz, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, to terminate service to the delinquent accounts listed therein, and to deny the request by Lake Houston Church of Christ for a water bill adjustment.

16. **Attorney's Report.** Mr. Pennington reminded the Board that an election judge has to be arranged for the upcoming director elections in May 2008. Ms. Deitrick stated that Director Claytor agreed to contact the election judge from the previous director election.

17. **Other matters.** There were no other matters to come before the Board at this time.

18. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on December 19, 2007 at 11:30 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 December 19, 2007.

James E. Davis Jr.
President, Board of Directors

ATTEST:

William C. King
Secretary, Board of Directors

(DISTRICT SEAL)

