

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
December 19, 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, December 19, 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. 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; Mr. Bob Leared 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; Mr. Tim Green of Coats Rose Yale Ryman & Lee, PC, attorney for W.Y. Atlantis, Ltd.; 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 November 21, 2007.** Minutes of the meeting of November 21, 2007, previously distributed to the Board, were presented for consideration and approval. 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 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 Mr. Leared, who presented to and reviewed with the Board the Tax Assessor-Collector's Report for November, a copy of which is attached hereto as Exhibit "B." Mr. Leared noted that 4.79% of the District's 2007 taxes have been collected as of November 30, 2007.

Mr. Leared asked the Board if it wanted to approve an aerial photograph of the District to document the value in the District for the tax roll. Mr. Leared estimated the cost to be approximately \$390.

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, to authorize the expenditures listed therein, and to approve the aerial photograph of the District and adjacent area on January 1, 2008.

4. **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 "C." Ms. Zapletal presented for approval Pay Estimate No. 8 from Reynolds Inliner, LLC in the amount of \$122,977.35 for the Sanitary Sewer Rehabilitation, Phase III.

Ms. Zapletal reported on the annexation tracts. She reported that BGE is waiting for the correction deed from Academy Development which reflects the resolution of the boundary discrepancy. Ms. Zapletal reported receipt of the updated boundary survey for the two tracts involved in the discrepancy. Mr. Pennington noted that the District will also require the ownership certificates from the Harris County Appraisal District for the tracts that had the boundary discrepancy to proceed with the annexation.

Ms. Zapletal recommended approval of payment by the developer of Pay Estimate No. 3 to Pace Services in the amount of \$92,149.00 for the water, sanitary sewer and storm sewer for Waterhaven, Phase I.

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 Texas Rainmaker has provided the constructions plans, which have been approved. She stated that Texas Rainmaker has been cleared for utility service.

Ms. Zapletal reported that Storm Water Solutions submitted the Storm Water Quality Permit Renewal application to Harris County on December 3, 2007. She stated that Storm Water Solutions is coordinating with Harris County to determine if the project requires a storm water quality permit as the site is less than one acre.

Ms. Zapletal reported that Ms. Allen approved a \$2,960,000 bond issuance. She stated that Ms. Allen has determined that the District can support a bond issuance up to \$3,440,000, should the Wheless tract not be annexed. Ms. Zapletal reported that she expects to submit the bond issuance report to the Texas Commission on Environmental Quality ("TCEQ")

by the end of January and to sell in June. Director DeYoung asked the implications of decreasing assessed valuation for the District. Mr. Pennington stated that Ms. Allen will need to provide the projections supporting the bond issuance. Ms. Zapletal reported that Ms. Allen has prepared the cash flow schedules using conservative assumptions with valuations not increasing after 2009.

Ms. Zapletal reported on Water Plant No. 2 design and costs. She reported that all potential annexation tracts and WYA The Bridges at Lake Houston have confirmed the number of connections for their respective tracts. Ms. Zapletal reported that Mr. Wheless asked the cost implications if W. Y. Atlantis fails to pay its share of the costs. Ms. Zapletal provided the Board spreadsheets of construction costs for Water Plant No. 2 for various scenarios omitting certain parties, a copy of which is attached hereto as Exhibit "D." Mr. Zabaneh recommended the Board obtain approval for the \$3,440,000 bond issuance so the District would be in a position to assume the additional costs of the Wheless tract, if not annexed. Mr. Pennington noted that the TCEQ approves bond issuances for specific projects. Mr. Pennington reported that a draw of \$25,000 on the letter of credit by WYA The Bridges at Lake Houston is being arranged for the legal fees for the amendment to the Atascocita Joint Operations Board agreement for the sanitary sewer capacity. Ms. Zapletal reported that BGE met with the City of Houston and Harris County, which have provided preliminary approval of the proposed layouts of the trunk sanitary sewer, force main and waterline along West Lake Houston Parkway.

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 Engineer's Report; to approve payment of Pay Estimate No. 8 to Reynolds Inliner, LLC in the amount of \$122,977.35 for the Sanitary Sewer Rehabilitation, Phase III; and to approve payment by the developer of Pay Estimate No. 3 to Pace Services in the amount of \$92,149.00 for the water, sanitary sewer and storm sewer for Waterhaven, Phase I.

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

6. Developer's Report. The President recognized Mr. Johnson, who reported that the design of the Academy Development tract will begin in January and that the proposed lot size is now sixty to seventy feet. Mr. Trapolino reported that many of the trees on the Academy Development tract may be kept if the condemnation of land for detention succeeds.

Mr. Jones reported that the design of WYA The Bridges at Lake Houston will begin in the next couple weeks. He stated that utility construction is expected to begin in February and ground breaking in July or August of 2008.

7. 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 95% complete and is expected to be done in January 2008. Director Clarey reported that AJOB decided to allocate the sale of sanitary sewer to Harris County Municipal Utility District No. 494 by ownership percentage. He stated that when the Wastewater Treatment Plant Expansion is online, the District's share of costs will increase as its ownership percentage will increase.

8. **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.

9. **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.

10. **Approve Agreement with Harris County MUD No. 494 and the Developer in that District.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Waste Disposal Contract with WYA The Bridges on Lake Houston, Ltd. ("MUD 494"), a copy of which is attached hereto as Exhibit "E." Mr. Pennington stated that the agreement specifies that the District will provide sufficient wastewater treatment capacity for MUD 494 and recognizes that other AJOB participants may sell wastewater treatment capacity as well. He stated that the Waste Disposal Contract requires MUD 494 to pay its prorata share of costs for the utility lines, lift station and force main and operating costs.

Mr. Pennington presented to and reviewed with the Board the Water Supply Agreement with MUD 494, a copy of which is attached hereto as Exhibit "F." Mr. Pennington stated that the Water Supply Agreement requires MUD 494 to advance its share of the construction costs for Water Plant No. 2, which has been addressed by the letter of credit presented to the District last month. He stated that the Water Supply Agreement specifies that the District will sell water to MUD 494 at cost based on the number of connections.

Mr. Pennington reported that there are a few cost numbers to be finalized; however, the form of the agreements have been agreed upon by the attorney for MUD 494. Mr. Green concurred with the statements made by Mr. Pennington regarding the agreements.

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 to form the Waste Disposal Contract and Water Supply Agreement with MUD 494 with the understanding that costs will be finalized and edits made as necessary.

Mr. Pennington reported that the necessary papers have been drawn up to draw \$25,000 on the MUD 494 Letter of Credit for the legal fees for the AJOB contract amendment to provide MUD 494 wastewater treatment capacity.

11. **Consider Annexation Agreements and Reimbursement Agreements.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Master Sales Agreement and Lease of Facilities, Reimbursement Agreement and Annexation Agreement, copies of which are attached hereto as Exhibits "G," "H," and "I," respectively. Mr. Pennington reported that the Master Sales Agreement and Lease of Facilities is to reimburse the potential annexation tract developers for the costs of constructing the utility lines within their respective tracts. He stated that the Reimbursement Agreement is to reimburse the potential annexation tract developers for the constructions costs of Water Plant No. 2 and the accompanying facilities. Mr. Pennington stated that the agreements require the developer to achieve a debt to value ratio of ten to one, exclusive of water and sewage treatment plant costs,

before reimbursement is allowed. Upon motion by Director Clarey, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to approve the form of the Master Sales Agreement and Lease of Facilities, Reimbursement Agreement and Annexation Agreement with the potential annexation tract owners.

12. **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 "J." Ms. Phillips reported that Crosby State Bank is currently paying an interest rate of 0.5% on the District's checking account. She stated that Amegy Bank is offering an interest rate on the District's checking account of the current money market interest rate, which is currently 4.0%. Ms. Phillips asked the Board if it wanted to switch the District's checking account to Amegy State Bank. It was the consensus of the Board to discuss the interest rate with Crosby State Bank and allow the bank an opportunity to offer a competitive interest rate. Ms. Phillips noted that the interest rate at Amegy Bank will fluctuate with the money market interest rates and not stay at 4.0%. Director Clarey stated that he would contact Crosby State Bank regarding the interest rate. The Board decided to make a decision on switching to Amegy Bank at the next Board meeting.

Ms. Phillips reported that there was a panic on funding pools, similar to Texpool and TexStart, in Florida. She reported that Texpool sent a letter reporting on the safety of its funds and reassuring its customers that the funds are in safe investments.

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 Bookkeeper's Report, and to authorize payment of the checks listed therein.

13. **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 "K."

Mr. Hastings reported that in the process of performing the valve survey in the District, approximately one hundred valves were found not to be readily accessible. He stated that one valve in the District is under a large bush. Mr. Hastings presented to the Board a picture of a large bush on top of a valve, a copy of which is attached hereto as Exhibit "L." He stated that it will require a backhoe to remove the bush. Mr. Hastings stated that relocating the bush is not possible; however, a new bush will be provided to the homeowner.

Director Clarey asked Mr. Hastings if there is a reason for the standing water in the ditch on the north side of Farmingham by the school. Mr. Hastings stated that the ditch probably needs to be cleared out and that he would investigate the matter.

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 Operator's Report, and to terminate service to the delinquent accounts listed therein.

14. **Attorney's Report.** Mr. Pennington reminded the Board that an election judge has to be arranged for the upcoming director elections in May 2008. Director Claytor reported that Ed O'Brien has agreed to be the election judge for the District if an election is necessary.

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

16. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on January 16, 2008 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 January 16, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

