

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
January 16, 2008

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, January 16, 2008, 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 Southwest Water Company, operator for the District; Mr. Sam Zabaneh and Ms. Karen 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; Ms. Brenda McLaughlin of Bob Leared Interests, tax assessor-collector for the District; Ms. Linda Loup of Southwest Securities, financial advisor to 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 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 December 19, 2007.** Minutes of the meeting of December 19, 2007, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.
2. **Public Comments.** There were no public comments.
3. **Developer's Report.** There was no Developer's Report.
4. **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 December, a copy of which is attached hereto as Exhibit "B." Ms. McLaughlin reported that a supplement to the tax roll of \$179,085.59 was received from the Harris County Appraisal District.

Ms. McLaughlin reported that 45% of the District's 2007 taxes have been collected as of December 31, 2007. She stated that the collection percentage does not include a recently received payment by First American, which is one of the largest servicing companies for mortgage companies.

Ms. McLaughlin presented to the Board the Delinquent Tax Report provided by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "C." She noted that Director Claytor has noted that Ms. Lillian Dial has been deceased for approximately three years and the house has been vacant. Ms. McLaughlin stated that she would provide this information to Perdue.

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 Tax Assessor-Collector's Report, and to authorize the expenditures listed therein.

5. **Consider property tax exemptions.** Mr. Pennington presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who Are Disabled or are 65 Years of Age or Older, a copy of which is attached hereto as Exhibit "D." Mr. Pennington stated that last year the Board granted property tax exemptions for those who are 65 years of age or older and for those who are disabled in the amount of \$5,000. The Board discussed exemption amounts and the impact to the District's tax revenue and residents. Ms. McLaughlin provided the Board a breakdown of exemptions provided by districts that contract with Bob Leared Interests, a copy of which is attached hereto as Exhibit "E." 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 grant property tax exemptions for those who are 65 years of age or older and for those who are disabled in the amount of \$5,000 of the appraised value.

6. **Authorize Amendment to Contract with Delinquent Tax Attorney to Enforce the Collection of Delinquent Taxes.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Addendum to Delinquent Tax Contract, a copy of which is attached hereto as Exhibit "F." Mr. Pennington reported that due to recent legislation, delinquent taxes on personal property can incur an additional penalty as of April 1 to pay for the delinquent tax attorney to pursue collection. 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 Addendum to the Delinquent Tax Contract with Perdue, Brandon, Fielder, Collins & Mott, L.L.P.

7. **Authorization of additional 20% penalty on delinquent taxes.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes under Sections 33.07, 33.11 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "G." Upon motion by Director DeYoung, seconded by Director Soliz, after full discussion and the question being put to the Board, the

Board voted unanimously to authorize the Resolution Authorizing Additional Penalty on Delinquent Taxes under Sections 33.07, 33.11 and 33.08, Tax Code.

8. Engineer's Report, including 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 reported that there was no flow monitoring data as all three flow meters were damaged. She reported that BGE recommended not repairing the flow meters at this time due to increased installation costs and monthly maintenance costs.

Ms. Hauter presented for approval Pay Estimate No. 9 from Reynolds Inliner, L.L.C. in the amount of \$69,147.45 for the Sanitary Sewer Rehabilitation, Phase III. She stated that the contractor is approximately 85% complete.

Ms. Hauter reported that the contractor tested the lift station on Catamaran Drive and that it has been returned to permanent service. She reported that the contractor has begun work on the lift station on Decathlon.

Ms. Hauter reported that the contractor is installing second stage storm inlets in Waterhaven. She stated that the Texas Commission on Environmental Quality ("TCEQ") and City of Houston will inspect the storm water quality features. Ms. Hauter reported that the storm water quality permit will be transferred to the District per the City of Houston and Harris County requirements.

Ms. Hauter reported 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. Hauter reported that Ms. Allen determined that the District can support a bond issue requirement up to \$3,440,000. Mr. Pennington presented to and reviewed with the Board the Order Authorizing Application for Expedited Consideration of Approval by Texas Commission on Environmental Quality of Project and Issuance of Bonds ("Authorizing Order"), a copy of which is attached hereto as Exhibit "I."

Ms. Hauter reported on the facilities to serve the annexation tracts. She stated that BGE is obtaining survey information along West Lake Houston Parkway and will begin final design work when the topography survey is completed.

Ms. Hauter reviewed the letter by BGE to meet the disclosure requirement of the Texas Board of Professional Engineers, and the letter acknowledgement and consent by the developer of Waterhaven, included in the Engineer's Report. She stated that BGE is employed by both the District and Waterhaven, Ltd., who developed land within the jurisdictional boundaries of the District. Ms. Hauter stated that BGE performs separate and distinct tasks within the same projects or assignments for each entity and receives compensation from each entity for those separate and distinct tasks performed on projects within the District.

Ms. Hauter reported on the annexation tracts. She reported that Academy Development needs to execute a correction deed for the recently resolved boundary discrepancy

issue. She stated that the Title Report provided by Academy Development has an incorrect clerk file number reference. Ms. Hauter reported that BGE and Mr. Pennington met with Mr. Wheless, owner of the thirty acre tract, to discuss cost estimates. She stated that Mr. Wheless will discuss the cost estimates and alternatives with the additional landowners to determine if participation is feasible. Ms. Hauter reported that Mr. Wheless was to contact Mr. Zabaneh or Mr. Pennington before today's meeting. Mr. Zabaneh and Mr. Pennington stated that Mr. Wheless did not contact them. Mr. Pennington reported that Mr. Wheless is concerned about W. Y. Atlantis not participating; however, he noted that W. Y. Atlantis has put up the letter of credit. Mr. Pennington stated that the option of first putting up the funds for the engineering costs, approximately \$60,000, was offered to Mr. Wheless. He stated that the Board may consider if it wants to pay for the additional capacity of the thirty acre tract if Mr. Wheless fails to put up the money and offer the capacity to the first takers. Mr. Zabaneh reported that subtracting the capacity for the thirty acre tract does not significantly reduce the construction costs of the facilities. Ms. Hauter reported that BGE has confirmed the allocated connections to the annexation tracts and W. Y. Atlantis. Mr. Zabaneh reported that if the thirty acre tract participates in the construction of the facilities, the District's costs will be approximately \$2,516,693.84. He stated that the additional costs to the District to assume the construction costs allocated to the thirty acre tract are \$426,064.87 and the District's total construction costs would be approximately \$2,942,758.71. Mr. Pennington stated that if the thirty acre tract did not participate in the construction of the facilities, it would not be annexed to the District as the District would not be providing it utility service. 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 submittal of the Authorizing Order to the TCEQ for the issuance of \$3,440,000 in bonds, to approve a deadline of January 22, 2008 for the thirty acre tract owner to put up the funds for the engineering fees for design of the facilities; to approve the District assuming the additional approximate construction costs of the facilities for the thirty acre tract of \$426,064.87 for a total construction costs of \$2,942,758.71; and not to annex the thirty acre tract if the property owners fail to provide the engineering fees of approximately \$61,906.86.

Ms. Hauter reported that AJOB approved the sale of wastewater treatment capacity to Harris County Municipal Utility District No. 494 ("MUD 494") based on ownership percentage. She stated that the District's share of the 430,000 gpd anticipated to be sold to MUD 494 is 115,400 gpd. Ms. Hauter requested Board approval of the amount of capacity to be sold to MUD 494. Mr. Zabaneh reported that any additional land in the District receiving wastewater treatment will not require action by AJOB.

Ms. Hauter reported that Pay Estimate No. 23 in the amount of \$176,738.03 from LEM Construction for the Wastewater Treatment Plant Expansion has been approved by AJOB.

Upon motion by Director DeYoung, 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 not repairing the flow meters; to approve payment of Pay Estimate No. 9 to Reynolds Inliner, L.L.C. in the amount of \$69,147.45 for the Sanitary Sewer Rehabilitation, Phase III; to acknowledge the disclosure that BGE is employed by the District and Waterhaven, Ltd.; and to approve the District selling 115,400 gpd of wastewater treatment capacity to MUD 494.

9. **Discuss Brown & Gay disclosure notification of services provided to Waterhaven developer.** This item was covered under the Engineer's Report.

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

11. **Approve Order Authorizing Application for TCEQ Approval of Bond Issuance.** This item was covered under the Engineer's Report.

12. **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.

13. **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.

14. **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 an Operating Fund Certificate of Deposit was renewed at Texas State Bank to mature on September 1, 2008.

Ms. Phillips reported that upon recommendation by Director Clarey and with the Board's approval, she will arrange for a checking at Amegy Bank to obtain the money market interest rate.

Ms. Phillips reported that the electric bill for 8410 1/3 Farmingham Road has no initial read and is always for the same amount of \$158. She stated that it appears to be a flat fee and is being investigated. Mr. Hastings reported that it may be a CenterPoint Energy security lock.

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 Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve the transfer of the District's checking account from Crosby State Bank to Amegy Bank.

15. **Atascocita Joint Operations Board ("AJOB") report and approval of Atascocita Joint Operations Board Construction Contract.** Director Clarey noted that no AJOB meeting had occurred since the last Board meeting.

16. **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 the replacement of the doors and panels at the shared lift station no. 3 with Harris County Municipal Utility District No. 151 ("MUD 151") allowed for an inspection. He stated that four feet of sand was discovered at the bottom of the lift station. Mr. Hastings requested Board approval of \$7,700 to remove the sand from lift station no. 3, which expense will be shared with MUD 151.

