

MINUTES OF MEETING OF BOARD OF DIRECTORS  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153  
February 20, 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, February 20, 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. 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; Ms. Linda Loup of Southwest Securities, financial advisor to the District; Mr. Noel Barfoot of McCall, Gibson & Company, auditor for the District; Mr. Jerry Lavey, district resident; Ms. Darla Tinelli, teacher at Maplebrook Elementary School, Ms. Janell Klosterboer, PTO President of Maplebrook Elementary School; 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 January 16, 2008.** Minutes of the meeting of January 16, 2008, previously distributed to the Board, were presented for consideration and approval. 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 such minutes, as presented.

2. **Contract with Maplebrook Elementary School for joint construction of running track.** The President recognized Director DeYoung, who reported that Ms. Tinelli and Ms. Klosterboer are raising funds to construct an athletic track at Maplebrook Elementary School in the District. Ms. Tinelli reported that there is no gymnasium at Maplebrook Elementary

School and that Humble Independent School District (“Humble ISD”) is coordinating the construction of the running track. She stated that Humble ISD has received bids and selected the contractor for the running track construction. Ms. Tinelli reported that the cost to construct the running track is \$26,400. She stated that the track will circle the soccer field on the east side of the school building, be eight feet wide, one-quarter of a mile in length and constructed of asphalt. Ms. Klosterboer reported that the Humble ISD will not be contributing funds for the construction of the track and that the parent teacher organization is coordinating the fundraising for the construction of the track. Ms. Tinelli stated that the running track will impact the soccer fields; however, she is coordinating with the person managing the soccer fields to minimize the impact. She stated that the running track may cause two or three soccer fields to be eliminated.

Mr. Pennington stated that the District will need a contract with Humble ISD in which Humble ISD assumes responsibility for maintenance of the running track and it clearly states that the running track is open to the public.

Director Clarey asked what amount of funds has been raised for the running track thus far. Ms. Klosterboer reported that the Maplebrook Elementary has offered to loan the money for construction of the running track; however, it would need to be repaid.

The Board discussed the amount to be contributed for the construction of the running track. Director Soliz asked what it would cost to construct a running track built of a softer material. Ms. Tinelli reported that a cost of approximately \$200,000 was quoted for the softer running track.

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 contribute \$13,000 to Humble ISD for construction of the running track at Maplebrook Elementary School contingent upon Humble ISD executing a contract with Humble ISD assuming responsibility for maintenance of the running track and confirming that the running track will be open to the public.

3. **Public Comments.** The President recognized Mr. Lavey, who reported that the Humble ISD Education Foundation has raised sufficient funds to break ground on the astronomical observatory. He stated that the groundbreaking was today at Jack Fields Elementary School at 2505 South Houston Avenue, Humble. Mr. Lavey reported that the Humble ISD Education Foundation raised \$540,000 for the construction of the observatory and that the observatory should be open in the fall of 2008. Mr. Lavey thanked Aqua Services and Brown & Gay for their contributions.

4. **Engage auditor for fiscal year ending March 31, 2008.** The President recognized Mr. Barfoot, who reported that there are new auditing standards and new audit risk assessments. Mr. Barfoot reported that the primary objective of new Statements on Auditing Standards Nos. 104-111 (the “Risk Assessment Suite”) is to enhance the auditor’s ability to identify and respond to risks of material misstatement present in a specific audit in a particular period.

Mr. Barfoot presented to and reviewed with the Board an engagement letter for

fiscal year ending March 31, 2008, a copy of which is attached hereto as Exhibit "B." Mr. Barfoot requested that the Board consider engaging the services of McCall, Gibson & Company to prepare the District's annual audit for fiscal year ending March 31, 2008, at an estimated cost of \$14,500 to \$16,500.

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 engage the services of McCall, Gibson & Company to prepare the District's audit for fiscal year ending March 31, 2008 and to authorize the execution of the engagement letter.

5. **Developer's Report.** There was no Developer's Report.

6. **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 January, a copy of which is attached hereto as Exhibit "C." Mr. Leared reported that 89% of the District's 2007 taxes have been collected as of January 31, 2008.

Mr. Leared reported that the delinquent notices have been sent to the residents.

Mr. Leared reported that First American, which is one of the largest servicing companies for mortgage companies, did not send the tax payments until January 15. He stated that the duplicate bills to the homeowners were mailed to homeowners for accounts still outstanding on January 22, 2008. Mr. Leared presented to and reviewed with the Board a request from a resident to refund the penalty and interest of \$52.61 as he did not receive the tax bill until January 26, 2008. The resident stated that paying a tax bill of \$750 in five days notice is not reasonable. Mr. Leared stated that he felt the District had no legal basis to set aside the penalty and interest. He stated that the original tax bill was sent to the entity that requested it, which was the mortgage company, not the resident. Upon motion by Director Soliz, seconded by Director Claytor, after full discussion and the question being put to the Board, the Board voted three to two, with Directors Clarey and DeYoung opposing, to approve refunding the penalty and interest of \$52.61 based on Harris County Appraisal District giving the District the wrong billing address.

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

7. **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 "E." Ms. Zapletal presented for approval Pay Estimate No. 10 from Reynolds Inliner, L.L.C. in the amount of \$133,553.70 for the Sanitary Sewer Rehabilitation, Phase III. She stated that the contractor is approximately 99% complete with only two segments remaining and once complete, that the inspection by the Texas Commission on Environmental Quality will be scheduled.

Ms. Zapletal presented for approval Pay Estimate No. One from Neil Technical Services Corporation in the amount of \$93,798.00 for the Lift Station Electrical Improvements.

She stated that the pay estimate includes payment for completion of the project and requested that the bookkeeper hold the check until BGE has verified the final signature from the contractor and BGE instructs the check to be released.

Ms. Zapletal 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. Zapletal reported that the storm water quality permit will be transferred to the District per the City of Houston and Harris County requirements.

Ms. Zapletal reported that Harris County has determined that the water plant site is subject to storm water quality requirements.

Ms. Zapletal presented to the Board the draft engineering report for the bond application for the proposed bond issuance of \$3,490,000, a copy of which is attached hereto as Exhibit “F.” Ms. Zapletal stated that the bond application may be submitted sometime in March. Ms. Loup presented to and reviewed with the Board the financial schedules that support the proposed bond issuance, a copy of which is attached hereto as Exhibit “G.” Ms. Loup reviewed the increased debt requirements from the proposed bond issuance and the impact on tax rate depending on the growth of assessed valuation of the District. Ms. Loup stated that although there have been issues with some municipal bond insurers, it is expected that these bonds will be insured. Mr. Pennington stated that material event notices were filed for two of the District’s bonds that were insured by Financial Guaranty Insurance Company as their rating has been downgraded recently.

Mr. Zabaneh reported on the facilities to serve the annexation tracts. He stated that he met with the City of Houston to review the conceptual layout of the offsite water and sewer facilities along West Lake Houston Parkway. He stated that Harris County and the City of Houston have approved placement of the waterline and force main along West Lake Houston Parkway in the median in the middle with the waterline on one side of the median and the sewer line on the other side. Ms. Zapletal stated that BGE is awaiting Academy’s revised land plan to proceed with the layout of the water transmission lines to the water plant site to determine the adequacy of the lift station site and to determine if modifications are required to the water plant site.

Ms. Zapletal reported on the annexation proceedings. She reported that Mr. Manon has purchased a two acre tract he would like to annex to the District. Ms. Zapletal reported that Mr. Manon has provided the annexation deposit and engineering fees for the two acre tract. Ms. Zapletal reported that BGE is awaiting the recorded correction deed from Academy Development and new title report. She stated that all the tract owners have paid their share of the engineering fees except Mr. Quentel’s two-thirds share of the thirty-five acre tract; however, she reported that the bank is preparing the letter of credit and that it is expected this week. Ms. Zapletal reported that Mr. Wheless has decided not to proceed with annexation of his thirty acre tract into the District. She stated that BGE has updated the cost estimate for the District to assume the costs previously allocated to the thirty acre tract.

Mr. Zabaneh reported that AJOB has approved the selling of wastewater

treatment capacity to Harris County Municipal Utility District No. 494 (“MUD 494”) based on ownership percentage among the AJOB districts. He stated that the District has approved the sale of 115,400 gpd of wastewater treatment capacity to MUD 494 at a price to be determined. Mr. Zabaneh reported that AJOB is still researching the price to charge for the wastewater treatment capacity.

Mr. Zabaneh reported that BGE has prepared a punch list for the contractor for the wastewater treatment plant. He stated that the final inspection is scheduled for February 29, 2008.

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 Engineer’s Report; to approve payment of Pay Estimate No. 10 from Reynolds Inliner, L.L.C. in the amount of \$133,553.70 for the Sanitary Sewer Rehabilitation, Phase III; and to approve payment of Pay Estimate No. One from Neil Technical Services Corporation in the amount of \$93,798.00 for the Lift Station Electrical Improvements with the check being held by the bookkeeper until released by BGE.

**8. Annexation Agreement, Reimbursement Agreement and Master Sales Agreement and Lease of Facilities for two acre tract.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Annexation Agreement, Reimbursement Agreement and Master Sales Agreement and Lease of Facilities for the two acre tract purchased by Mr. Manon, copies of which are attached hereto as Exhibits “H,” “I,” and “J,” respectively. Ms. Zapletal reported that Mr. Manon intends to construct an office building on the tract. 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 Annexation Agreement, Reimbursement Agreement and Master Sales Agreement and Lease of Facilities.

**9. Annexation Issues.** Mr. Pennington reported that Academy Development has two tracts, one is an 86 acre tract for residential development and one 30 acre tract for detention purposes. He stated that the 30 acre tract has old lots which Academy Development is having difficulty acquiring as the owners are unable to be located. Mr. Pennington reported that Academy Development wishes the District to exercise the power of eminent domain to proceed with the acquisition of the lots for the detention pond. He stated that it was researched and determined to be allowed to use eminent domain for detention. Mr. Pennington stated that the estimated legal costs for this would be approximately \$25,000 to \$30,000. Ms. Phillips stated that a separate account will be created for the costs for this matter.

**10. 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.

**11. 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.

