

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

THE STATE OF TEXAS

COUNTY OF HARRIS

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153

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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 16, 2008, whereupon the roll was called of the members of the Board, to-wit:

Sam Claytor, Jr., President
Rick Soliz, Vice President
William Clarey, Secretary
Richard DeYoung, Treasurer
Jerry Lavey, 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. Lisa Adkins 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. Michael McCall and Ms. Melisa Kitchens of McCall, Gibson & Company, P.L.L.C., auditors for the District; Ms. Linda Loup of Southwest Securities, financial advisor for the District; Mr. David Howell of WYA Atlantis, developer of Harris County Municipal Utility District No. 494; 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. **Approve audit for fiscal year ended March 31, 2008.** The President recognized Mr. McCall, who presented to and reviewed with the Board a draft of the audit for the District for fiscal year ending March 31, 2008, a copy of which is attached hereto as Exhibit "B." Mr. McCall reported that the District's debt expense will increase in 2009 and that the District's surplus debt funds will decrease in 2009.

Upon review of the budget, Mr. McCall noted that water revenue was decreased last year due to the plentiful rain. Mr. Pennington stated that "Purchased Water" should be "City of Houston GRP Fee". Mr. McCall stated that it will be changed accordingly. Mr. McCall reported that the Sales Tax Rebate was not as high as budgeted. Upon review of the historical

Sales Tax Rebate, Mr. Pennington noted that the budget should be reduced to match the historical receipts for Sales Tax Rebate.

Mr. McCall presented to and reviewed with the Board the management letter noting material weaknesses in the District's internal controls over financial reporting, a copy of which is attached hereto as Exhibit "C." He noted that the management letter includes a draft response by the Board which is the same as the previous year.

Upon motion by Director DeYoung, seconded by Director Lavey, 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, 2008, 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.

2. **Minutes of the meeting of June 18, 2008.** Minutes of the meeting of June 18, 2008, 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.

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

4. **Developer's Report.** The President recognized Mr. Howell, who reported that the general plan for The Bridges at Lake Houston has been approved. He stated that the engineers are designing the infrastructure, the extension of Will Clayton Parkway, and the bridge over the railroad tracks. Mr. Howell reported that construction is expected to begin in the first quarter of 2009. Mr. Zabaneh stated that completion of Water Plant No. 2 and the ability to provide water is expected approximately October 2009. Mr. Howell stated that the development is timed for that time.

5. **Planting of pine trees on north side of water plant by Waterhaven, Ltd.** The President recognized Mr. Zabaneh, who reported that the developer of Waterhaven has requested the Board's approval to plant pine trees at the developer's expense inside and along the north property line of the water plant site to screen the ground storage tanks. Upon motion by Director Lavey, seconded by Director Clarey, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Waterhaven developer to plant pine trees inside and along the north property line of the water plant site with no expense to the District.

6. **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 continuing disclosure requirements. Mr. Pennington asked the Board to authorize the attorneys to file the District's annual audit with the repositories. Upon motion by Director Lavey, seconded by Director Clarey, 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.

7. **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 reported that 97% of the District's 2007 taxes have been collected as of June 30, 2008.

Mr. Leared provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P, a copy of which is attached hereto as Exhibit "E."

Mr. Leared reported that a homeowner requested a payment plan after the last Board meeting and before July 1, 2008. He stated that the outstanding balance is \$1,158 and that the homeowner is offering to pay \$165 per month until paid. Mr. Leared suggested that the effective date of the payment agreement be July 1, 2008, so the additional 20% penalty would not apply.

Mr. Leared reported that the preliminary appraisal value for the District from the Harris County Appraisal District, plus the 2007 personal property valuation totals \$493,170,701, which is an eight percent increase from 2007.

Upon motion by Director Lavey, seconded by Director DeYoung, 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 payment plan for the homeowner with an effective date before July 1, 2008.

8. 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 "F." Ms. Zapletal reported that the engineers for Merrylands anticipate submitting the general plan next week and the preliminary plat of the first section two weeks later.

Ms. Zapletal reported that Reynolds Inliner, L.L.C. has signed and provided Pay Estimate No. 13 and that BGE released the check in the amount of \$149,122.65 on June 26, 2008.

Ms. Zapletal reported on Waterhaven development. Ms. Zapletal recommended approval of Pay Estimate No. Six and Final from Pace Services, L.P. in the amount of \$44,415.00 for Waterhaven, Phase One. She stated that the pay estimate includes payment for the release of retainage and that the project is complete. Ms. Zapletal recommended Board approval of the pay estimate and release to the developer upon signature by the contractor.

Ms. Zapletal reported that the Waterhaven developer requested Board approval to remove the existing bushes along Nehoc Lane.

Ms. Zapletal reported on the offsite water and sewer facilities to serve the proposed annexation tracts. She stated that the plans for the facilities are complete and were submitted to the City of Houston, Harris County and the Texas Commission on Environmental Quality ("TCEQ") for review on June 30, 2008. Ms. Zapletal requested Board authorization to advertise for bids for the projects. Ms. Zapletal reported that BGE is awaiting deeds for a land swap between Academy Development and WYA The Bridges at Lake Houston to finalize the easements necessary for access to Water Plant No. 2.

Ms. Zapletal reported on the Olympic Village Drainage Improvements project. She stated that BGE has addressed Harris County comments on the plans for the project. Ms. Zapletal requested Board authorization to advertise for bids for the project upon receipt of plan approval by Harris County.

Ms. Zapletal reported on the proposed annexations. She stated that BGE is currently working to prepare an overall boundary map, and metes and bounds description that includes the existing District boundary and all of the annexation tracts. Ms. Zapletal reported that the map is expected to be completed by the end of next week.

Ms. Zapletal reported on proposed Water Plant No. 2. She reported that BGE is currently designing the proposed water plant and lift station, and is proceeding with the preparation of construction plans for submittal to the City of Houston, Harris County and TCEQ for review. Ms. Zapletal reported that BGE is planning to submit the plants' preliminary plans for approval to the Houston Planning Commission on July 21.

Ms. Zapletal reported that the Environmental Protection Agency ("EPA") is reviewing the wastewater treatment plant discharge permit application; however, the application is delayed due to differences of opinion between the EPA and TCEQ regarding bacteria monitoring. She stated that the TCEQ has stated that the current discharge permit will remain in force until action is taken on the application and that no penalties will be incurred by the District.

Ms. Loup presented to and reviewed with the Board calculations on the expected revenue from sanitary sewer capacity to be sold to Harris County Municipal Utility District No. 494, a copy of which is attached hereto as Exhibit "G." Ms. Loup reported that the Board has the options to cash defease a portion of the District's Series 2001 bonds, transfer the revenue to the Debt Service Fund to reduce the tax rate or to use the revenue to reimburse developers which would reduce future bond issuance amounts. Ms. Loup stated that using the expected revenue to reduce the tax rate would not have a significant impact on taxes and that she would not recommend the District lower the tax rate anyway. Ms. Adkins and Ms. Zapletal recommended using the expected sewer revenue to reimburse developers to reduce the soft costs associated with bond issuances. Director Lavey stated that he would prefer the existing residents that have paid the burden of the District's debt realize the benefit of the expected sewer revenue.

Mr. Pennington reported that the issues regarding the land owned by Academy Development for the proposed detention pond needs to be resolved. Ms. Zapletal reported that the title issue for this tract of land will not impact the bond application or plans for the facilities. She stated that BGE is treating it as an out-tract. Mr. Pennington stated that Academy Development needs to approve work on condemnation before the District begins condemnation.

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 Pay Estimate No. Six and Final from Pace Services, L.P. in the amount of \$44,415.00 for Waterhaven, Phase One, with release to the developer upon signature by the contractor; to approve the Waterhaven developer to remove the existing bushes along Nehoc Lane; to authorize BGE to advertise bids for the offsite water and sewer facilities to serve the proposed annexation tracts; and to authorize BGE to advertise and receive bids for Olympic

Village Drainage Improvements project upon receipt of plan approval by Harris County.

9. **Update on annexation issues and any necessary action.** This item was covered under the Engineer's Report.

10. **Update on Expansion of Water Plant No. 2 for proposed annexation tracts and Harris County MUD 494, sale of wastewater treatment plant capacity to Harris County MUD 494 and Take Any Necessary Action.** This item was covered under the Engineer's Report.

11. **Atascocita Joint Operations Board ("AJOB") Report.** Director Clarey reported that AJOB is awaiting the necessary documents for selling the sanitary sewer capacity to Harris County Municipal Utility District No. 494.

12. **Bookkeeper's Report, Investment Report, and payment of bills.** The President recognized Ms. Adkins, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "H." Ms. Adkins reported that Check No. 2826 to BGE will be held until funds are successfully drawn on the developers' letters of credit at Amegy Bank. She stated that Amegy Bank is now requesting the original letters of credit to process the request for payment.

Upon review of the maturing Certificates of Deposit ("CD"), Ms. Zapletal stated that perhaps the \$500,000 CD maturing October 31, 2008, should not be renewed as Water Plant No. 2 construction costs may begin at that time.

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

13. **Authorize transfer of safekeeping custodial account.** The President recognized Mr. Pennington, who reported that Compass Bank purchased Texas State Bank. He stated that Texas State Bank has provided notification of transfer of the safekeeping custodian from the Federal Home Loan Bank of Dallas to the Federal Home Loan Bank of Atlanta for acknowledgement by the Board, a copy of which is attached hereto as Exhibit "I." He stated that Texas State Bank assures the District that the District's investments of greater than \$100,000 are still secured by pledged collateral.

Upon motion by Director Lavey, seconded by Director DeYoung, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the President to sign the acknowledgement of the transfer of the safekeeping/custodial services from Federal Home Loan Bank of Dallas to the Federal Home Loan Bank of Atlanta.

14. **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 "J." Mr. Hastings confirmed for Director Soliz that the landscaper which took water from the hotel paid his full balance before the tap was set for him.

Director DeYoung left the meeting.

