

MINUTES OF MEETING OF BOARD OF DIRECTORS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 153
February 16, 2011

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 16, 2011, whereupon the roll was called of the members of the Board, to-wit:

Sam Claytor, Jr., President
Rick Soliz, Vice President
William Clarey, Secretary
Alan Waters, Treasurer
David Bloedorn, Assistant Secretary

All members of the Board were present, except Director Bloedorn. Also attending all or portions of the meeting were Mr. Gary Hastings of Municipal Operations & Consulting, Inc. ("MOC"), operator for the District; Mr. Sam Zabaneh and Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), engineers for the District; Mr. Cory Burton of Municipal Accounts and Consulting, L.P. ("MA&C"), bookkeeper for the District; Mr. Eric Comeau of Bob Leared Interests, tax assessor-collector for the District; Mr. Greg Voinis of Sam Yager, Inc., developer of Harris County Municipal Utility District No. 494 ("MUD 494"); Mr. Mike McCall of McCall Gibson Swedlund Barfoot, P.L.L.C. ("McCall"), auditor for the District; and Mr. Neil Thomas 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 19, 2011.** Minutes of the meeting of January 19, 2011, previously distributed to the Board, were presented for consideration and approval. Upon motion by Director Clarey, seconded by Director Waters, 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. **Engage auditor for fiscal year ending March 31, 2011.** The President recognized Mr. McCall, who presented to and reviewed with the Board an engagement letter for

fiscal year ending March 31, 2011, a copy of which is attached hereto as Exhibit "B." Mr. McCall presented to the Board a letter and questionnaire. Mr. McCall reported that the directors are part of the process of reporting fraud and requested the directors contact him with any concerns they have. Mr. McCall requested that the Board engage the services of McCall to prepare the District's annual audit for fiscal year ending March 31, 2011, at an estimated cost of \$15,000 to \$17,000.

Upon motion by Director Clarey, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to engage the services of McCall to prepare the District's audit for fiscal year ending March 31, 2011, and to authorize the execution of the engagement letter.

4. **Developer's Report.** The President recognized Ms. Zapletal, who reported that she discussed with Ms. Cheryl Allen, the District's financial advisor, the pro-rated capital recovery costs to serve 150 equivalent single family connections ("ESFC") in MUD 494. Ms. Zapletal reported that Ms. Allen had recommended that debt service be considered a factor in the calculation. Mr. Voinis reported that the City of Houston had de-annexed The Bridges of Lake Houston property within the City. He reported that the Atascocita Joint Operations Board ("AJOB") had agreed on the capacity purchase timing, but that the agreement will not be final until the agreements between MUD 494 and the District are approved. Mr. Voinis reported that the MUD 494 attorney is working on the agreement for the 150 ESFC to MUD 494. Mr. Voinis stated that MUD 494 is proposing to purchase the rights for 150 ESFC for water and sanitary sewer treatment capacity, with the sanitary sewer treatment capacity purchased through AJOB. He proposed MUD 494 pay the District for the 150 ESFC capital recovery costs as the lots are purchased by the home builders. Ms. Zapletal stated that the pro-rated share of the capital recovery cost per connection may be approximately \$2,556 without the inclusion of annualized debt service. Mr. Voinis proposed \$2,200 per connection. Mr. Thomas stated that the District may require payment for the 150 ESFC upfront or over time. He stated that the District should require purchase of the 150 ESFC within a limited time period. Mr. Thomas stated that he is working on the agreement with the MUD 494 attorney. The Board discussed timeline options, specifically to provide MUD 494 two years to commence construction and two years to sell the lots. The Board stated that the cost cannot be finalized without review by the District's financial advisor. Ms. Zapletal stated that MUD 494's pro-rated share of the operation and maintenance costs should be part of the agreement.

Director Soliz joined the meeting.

5. **Tax Assessor and Collector's Report, status of delinquent tax accounts, and payment of bills.** The President recognized Mr. Comeau, 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. Comeau reported that 94% of the District's 2010 taxes had been collected as of January 31, 2011.

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

6. **Bookkeeper's Report, Investment Report, a payment of bills and take any necessary action.** The President recognized Mr. Burton, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D." Mr. Burton reported that check #4110 payable to the City of Houston is for the annual well permit fee. Mr. Burton reported that check #4084 payable to Eagle Lake Gardens & Nursery is the remainder of the annexation account which has been closed. He reported that the recent tax deposits will be invested.

Mr. Burton presented to and reviewed with the Board the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "E."

Upon motion by Director Waters, 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, to authorize payment of the checks listed therein and to approve the Quarterly Investment Report.

7. **Adopt budget for fiscal year ending March 31, 2012.** This item was deferred.

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 on the Waterline Rehabilitation Phase One. She reported that BGE has begun the preliminary layouts of the proposed rehabilitation in Golfers Village and Olympic Village. Ms. Zapletal stated that BGE will have a preliminary meeting with the City of Houston prior to the survey and plan preparation.

Ms. Zapletal reported on the Bond Application Report. She reported that BGE will provide a draft Bond Application Report to the District consultants for review and input. Ms. Zapletal reviewed the preliminary bond issuance requirement included in the Engineer's Report. She reported that BGE anticipates submitting the Bond Application Report to the Texas Commission on Environmental Quality after the March board meeting.

Ms. Zapletal reported on the Pines of Atascocita, Section 4, Punchlist Repairs. She reported that Harris County re-inspected the repairs on February 2, 2011. She reported that all items were completed. Ms. Zapletal reported that the Harris County Public Infrastructure Department noted after the inspection that there will be a short period of monitoring the new pavement. Ms. Zapletal reported that BGE has requested that Harris County provide a definite timeline for acceptance of the Pines of Atascocita, Section 4.

Ms. Zapletal reported that the Condo Lake Townhomes developer is coordinating financing. She requested Board authorization for BGE to provide a deadline to the developer to respond to BGE regarding financial feasibility before proceeding with the District's water loop connection, such as by the March board meeting date. Ms. Zapletal requested Board authorization for BGE to add the District's water loop connections to the Waterline Rehabilitation Phase One if the Condo Lake Townhomes developer fails to respond so the District may realize economies of scale for the project costs. Mr. Zabaneh stated that if the developer later proceeds with the development of the Condo Lake Townhomes, it will be easy

for BGE to identify the developer's share of the costs. It was the consensus of the Board to provide the developer a deadline of the March board meeting to respond regarding financial feasibility.

Ms. Zapletal reported on the Offsite Water and Sewer Facilities to Serve the Annexation Tracts. She reported that Ms. Spurlock submitted the signed easement, which has been recorded. Ms. Zapletal reported that the City of Houston has signed the construction plans for the project.

Ms. Zapletal reported that Harris County Municipal Utility District Nos. 106 and 290 ("Eagle Springs") have jointly requested the District to consider an emergency water interconnect agreement. She reported that BGE previously indicated to Eagle Springs that the District is amendable to such an interconnect, if feasible. Ms. Zapletal reported that it is not clear from the Eagle Springs request how the interconnect construction costs would be allocated. It was the consensus of the Board to authorize BGE to contact the Eagle Springs' engineer to obtain clarification on the cost allocation and proceed with coordination if Eagle Springs will pay for the construction costs. The Board discussed the ability of the District to meet Eagle Springs water requirements. Mr. Thomas stated that the Emergency Water Service Agreement can address issues of amount and priority of providing water to Eagle Springs. Ms. Zapletal stated that she will coordinate with the Eagle Springs' engineer if the costs will not be significant for the District.

Upon motion by Director Waters, 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 authorize BGE to provide a deadline of the March board meeting to the Condo Lake Townhomes developer to respond to BGE regarding financial feasibility before proceeding with the District's water loop connection; to authorize BGE to add the District's water loop connections to the Waterline Rehabilitation Phase One, if the Condo Lake Townhomes developer fails to respond; and to authorize BGE to contact the Eagle Springs' engineer to obtain clarification on the emergency water interconnect cost allocation and proceed with coordination if Eagle Springs was going to pay for the construction costs.

9. **Atascocita Joint Operations Board report.** Director Clarey reported that no major issues were discussed.

10. **Operator's Report and hearing on delinquent accounts.** The President recognized Mr. Hastings, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G." Mr. Hastings reported that recent rainfall had reduced the number of leaks in the District because it reduced ground shifting.

Mr. Hastings reviewed the Termination List, included in the Operations Report.

Upon motion by Director Clarey, seconded by Director Waters, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to terminate the delinquent accounts in accordance with the District's rate order.

11. **Report on Association of Water Board Director's Mid-Winter Conference.** The Board discussed proposed legislation.

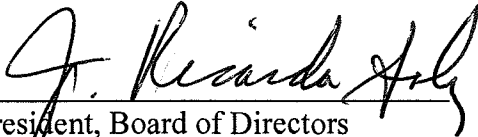
12. **Other matters.** The President reported that a resident complained that Allied Waste Services/Republic failed to pickup heavy trash. He reported that Allied Waste Services/Republic reported it was because of a new driver on the District route. The Board discussed Allied Waste Services/Republic performance in the District.

13. **Next Meeting Date.** It was the consensus of the Board to hold the next monthly Board meeting on March 16, 2011 at 11:30 a.m. 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.

* * *

The foregoing minutes were passed and approved by the Board of Directors on March 16, 2011.


V. President, Board of Directors

ATTEST:


Secretary, Board of Directors

(DISTRICT SEAL)

