

MINUTES OF MEETING OF BOARD OF DIRECTORS
May 10, 2007

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 136

The Board of Directors of Harris County Municipal Utility District No. 136 (the "District") met in regular session, open to the public, at 4045 Deerfield Village Drive, Houston, Texas at 6:00 p.m. on May 10, 2007; whereupon the roll was called of the members of the Board, to wit:

Neil Polansky, Vice President
Jim Hewlett, Second Vice President
Jay Singleton, Secretary
Barry Greer, Assistant Secretary
Harry Price

Persons Attending. All members of the Board were present Also attending all or parts of the meeting were Ms. Cathy Falke of ECO Resources ("ECO"), operator for the District; Ms. Fran Matuska of FMatuska, Inc, bookkeeper for the District; Ms Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Robert Devillier of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District, Heather De La Garza of Fulbright and Jaworski, attorneys for the District and resident Glen Sommers.

Call to Order. The Vice President called the meeting 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. Proposed minutes of the meeting of April 12, 2007, previously distributed to the Board, were considered for review and approval. Upon motion by Director Greer, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of April 12, 2007.

2. Comments from Residents. There were no resident comments

3. Election of Officers. Upon motion by Director Greer, seconded by Director Singleton, after full discussion and the question being put to the Board, the Board voted unanimously to elect Director Polansky as President, Director Hewlett as Vice President, Director Price as second Vice President, Director Singleton as Secretary, and Director Greer as Assistant Secretary. The Vice President then recognized Ms. De La Garza, who distributed information concerning the duties of water board directors.

4. Approve Special Rates. The President recognized Mr. Sommers, who is President of the Deerfield Village Community Association (DVCA). Mr. Sommers made a presentation that explained how he arrived at the amount of water used and the purposes for

which it was used. Upon motion by Director Greer, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to set a special rate for water used by the DVCA to fill its swimming pool. The approved rate is to be \$1.00/M gal., which is comprised of \$0.25/M gal for water production costs and \$0.75/M gal for the WHCRWA fee. Mr. Sommers addressed the subject of the DVCA security program and the possible transfer of that program to the District. Director Polansky stated that he did not sense a desire on the part of the Board members to taken on that program, but that the DVCA board was welcome to make a proposal to the Board for consideration.

5. Bookkeeper's Report. The President recognized Ms. Matuska, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B." She also presented the first quarter investment report and reviewed the duties and responsibilities of the Chief Investment Officer.

Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, and to authorize payment of check nos. 6289 through 6305 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

6. Tax Assessor and Collector's Report. The President recognized Ms. Rodriguez, who presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "C." She reported that 99.5% of the 2005 taxes and 96.7% of 2006 taxes have been collected.

Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, to authorize payment of check nos. 1097 and 1100 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

7. Operations Report. The President recognized Ms Falke, who presented to and reviewed with the Board the Operations Report and Delinquent List, copies of which are attached hereto as Exhibit "D".

Ms. Falke reported that during the month of December the water wells were inspected during each working day to ensure proper operation and supplied 12,735,000 gallons of water through the end of the month. The 12-month water accountability is 95%. She stated that the quarterly production test was run in April and results will be available shortly. She noted that ECO assisted in filling the swimming pool by providing the large diameter hose and by operating the hydrant valve.

In response to a previous Board request, Ms. Falke investigated the well drilling activity at the tree farm located on the west side of Barker Cypress across from the water plant. All indications are that it is irrigation well. For such wells the driller normally gets a TDLR permit. These wells are less than 500 ft deep and will not tap into our aquifer. The directors agreed no further investigation is needed.

Ms Falke noted that ECO was able to arrange for the equipment needed to install the replacement panels on the Randall's fence that forms the western boundary of the District's water plant property.

Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Operations Report, make necessary repairs, and terminate service to those accounts listed on the Delinquent List.,

8. Engineers Report. The Vice President recognized Mr. Devillier, who presented and reviewed the Engineer's Report (Exhibit "E").

Mr. Devillier discussed the rate of progress being made by water districts in their conversion to surface water. Districts can fall behind schedule either because of regulatory issues, construction issues, or simply delays in planning by the districts themselves. MUD 183 is on schedule, but Barker-Cypress MUD is not. He stated that, if the pipeline construction were on schedule, the line to our District would be complete in June, 2009 and that design work for the connection needs to start by June, 2008. He noted that the design work should take about six weeks. The consensus of the directors was that delays in the approval process will continue to be a major concern and that, when we are ready to start construction, TCEQ should be contacted to determine how long the approval process will take.

Mr. Devillier has met with a prospective bidder on the generator garage. The bidder has completed his proposal except for electrical work that he will subcontract. Mr. Devillier requested authorization to proceed with this bidder if the proposal is acceptable. Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Devillier to proceed if the bid is less than \$25,000.00 and the bidder meets all other qualifications and requirements.

9. Appoint Chief Investment Officer. Upon motion by Director Singleton, seconded by Director Hewlett, after full discussion and the question being put to the Board, the Board voted unanimously to appoint Harry Price to be Chief Investment Officer.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

The above and foregoing minutes were passed and approved by the Board of Directors on June 12, 2007.

President, Board of Directors

ATTEST: _____

SECRETARY, BOARD OF DIRECTORS

(DISTRICT SEAL)