

MINUTES OF MEETING OF BOARD OF DIRECTORS
December 14, 2006

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 December 14, 2006; whereupon the roll was called of the members of the Board, to wit:

Steve Dornak, President
Neil Polansky, Vice President
Jim Hewlett, Second Vice President
Jay Singleton, Secretary
Barry Greer, Assistant Secretary

Persons Attending. All members of the Board were present except Director Hewlett. 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; Mr. Rusty Leared 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, Ms. Kimberly Courte of Essential Insurance, insurance agent for the District, and residents Hayden Garrett, Bob Henry, Beverly Girbach, Marie Nugent, Mike Polk, Carolyn Dinger, Katheryn Daquilla, Jim Boarman, John Baumgartner, Linda Baumgartner, George Hentz, and Kirk Aden.

Call to Order. The 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 November 9, 2006, previously distributed to the Board, were considered for review and approval. Upon motion by Director Singleton, seconded by Director Polansky, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of November 9, 2006 (Exhibit "B")

2. Comments from Residents. There were no comments from residents.

3. 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 "C." Director Greer questioned the engineering bill, expressing concern about the large number of hours billed. Director Polansky noted the lack of specific detail as to how many hours applied to each project. After further discussion it was agreed that the payment check should be held pending clarification of the invoice charges. Mr. Devillier said he would have supporting details for the next meeting. Director Singleton asked that the payment to

McDonald Electric be held until confirmation is received that the required modification to the clearance height of the generator trailer has been made.

Upon motion by Director Greer, seconded by Director Polansky, 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. 6180 through 6206 from the General Operating Fund in the amounts, to the persons, and for the purposes listed in the Bookkeeper's Report.

4. Tax Assessor and Collector's Report. The President recognized Mr. Leared, who presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "D." He reported that 98.648% of the 2005 taxes have been collected. He also stated that the final certification of the tax rolls by HCAD is at least 2 more months away.

Upon motion by Director Polansky, seconded by Director Greer, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1072 and 1074 from the Tax Account in the amounts, to the persons, and for the purposes listed in such report.

5. 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 "E".

Ms. Falke reported that during the month of November the water wells were inspected during each working day to ensure proper operation and supplied 14,114,000 gallons of water through the end of the month. The 12 month accountability is 96%.

Ms. Falke presented a contract addendum reflecting new labor and equipment rates. After reviewing and discussing the new rates, the directors agreed to accept the contract amendment.

Director Greer questioned the repair work done at lift station #2 that was within a few feet of repair work previously done. Ms. Falke will investigate and provide a report at the next meeting.

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 accept the Operations Report, authorize necessary repairs and terminate service to those accounts listed on the Delinquent List.,

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

Mr. Devillier presented information about the two bids received for the construction of the chemical injection/storage building. The lower bid was much higher than any other district had previously received. After further discussion, it was agreed that both bids should be rejected and that, in January, the project should be rebid with a 90 day completion requirement.

Mr. Devillier reviewed the results of the most recent test of well #2. He stated that, while there continue to be signs of brass in the produced water, the overall efficiency of 51% is satisfactory and has not shown signs of decline. After further discussion, it was agreed that the appropriate course of action is to continue to monitor the well's performance.

Mr. Devillier discussed the swale that runs along the east side of the entrance road to the water plant and the collapsed section of fence on the adjacent property. The fence collapse was not caused by erosion of the swale. In the ensuing discussion, it was noted that rainwater from the adjacent property flows under the fence into the swale. Although there is currently no sign of serious erosion of the embankment, the situation will continue to be monitored.

Upon motion by Director Greer, seconded by Director Polansky, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Engineers Report and approve payment for the portable generator, subject to confirmation that the required trailer clearance modifications have been made.

9. Insurance Policy Renewal. Ms Courte presented a proposal for 2007 insurance coverage. She provided information comparing the current coverage and rates from Anco Insurance with the proposed coverage and rates from Essential Insurance. After a brief discussion, it was agreed that the proposal from Essential Insurance is acceptable and will be formally approved at the January Board meeting.

10. Security Contract for Deerfield Village. Members of the Deerfield Village Community Association (DVCA) were present at the meeting and engaged in a discussion with the District's directors concerning transfer of the security contract to the District. There was an exchange of viewpoints on what had transpired to date and what further actions needed to be taken. Upon completion of the discussion, there was a consensus that it was too late for DVCA to make a partial refund to residents of the 2007 fees that had already been assessed and, since the refund was a requirement by the District before taking over the contract, no further consideration would be give at this time to transferring the contract. The matter will be considered again in 2007 for the 2008 budget year.

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 January 11, 2007

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)