

MINUTES OF MEETING OF THE
BOARD OF DIRECTORS
APRIL 16, 2002

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §
PORTER MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Porter Municipal Utility District (the "District") met in regular session, open to the public, at its regular meeting place inside the boundaries of the District, at 23922 Loop 494, Porter, Texas, on Tuesday, April 16, 2002 at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Bill Sparks	-	President
Les L. Adams	-	Vice President
Ursel D. Mikel	-	Secretary
Jacques Verron	-	Treasurer/Investment Officer
Wayne Curry	-	Assistant Secretary/Assistant Treasurer

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ronnie Lee and Jeffrey Kay, Operators for the District; Greg Parker, the District's Engineer; Jeannie Hargis with the office of Paula J. Hargis, CPA, the District's Bookkeeper; Cathy Bate, the District's Office Manager; Pat Dennard, a resident of the District; and Gwen Briggs, Recording Secretary for the District. A list of other people attending the meeting is attached hereto as Exhibit "A".

WHEREUPON, the meeting was called to order at 7:00 p.m. The posted meeting notices are attached hereto collectively as Exhibit "B".

PLEDGE OF ALLEGIANCE

The meeting was opened with an invocation by Director Sparks and the reciting of the Pledge of Allegiance.

APPROVAL OF MINUTES

The first item of business to come before the Board was the approval of the minutes from the meetings held on March 19, 2002 and March 28, 2002. Director Adams moved approval of the minutes from the meetings of March 19, 2002 and March 28, 2002, as presented. Director Mikel seconded the motion which was approved by unanimous vote.

COMMUNICATIONS

Communications reviewed by the Board include those items listed on tonight's agenda under item 3. a. through 3. d. and contained in the meeting packet beginning on page 22 through page 28. Director Verron moved acceptance of the communications contained in the meeting packet. The motion was seconded by Director Adams and approved by unanimous vote.

HEAR FROM THE PUBLIC

The Board noted that no one from the public was in attendance who wished to address the Board.

The Board also noted that the Stewarts were not in attendance at tonight's meeting to address the Board about a sewer back-up into their house in February, 2002. It was the consensus of the Board to take no action on this matter.

BOOKKEEPER'S REPORT

The Board next received the Bookkeeper's report. Ms. Hargis reviewed with the Board the Bookkeeper's report, a copy of which is attached hereto as Exhibit "C". The District's Depository Pledge Reports with Bank of America and Wells Fargo National Bank for the month of April are included in the Bookkeeper's report attached hereto. Ms. Hargis also reviewed the additional checks written after her written report was completed.

Following review of the Bookkeeper's reports and further discussion concerning District funds, a motion was made by Director Verron to approve the Bookkeeper's report. The motion was seconded by Director Mikel and approved by unanimous vote. Director Verron then moved approval of payment of the checks listed in the Bookkeeper's report, including payment of the additional checks presented at the meeting which do not appear on the written report. The motion was seconded by Director Curry and approved by unanimous vote.

Ms. Hargis next reviewed the District's Investment Reports for the first quarter of 2002. Ms. Hargis noted that the average interest rate paid on funds in the District's Operating Account was 1.726% and funds in the Tax Account earned an interest rate of 2.34%. Funds in the District's Debt Service and Construction Accounts earned interest at the rate of 1.822%. After further review of said Investment Reports, a motion was made by Director Curry, seconded by Director Mikel to approve the Investment Reports for the first quarter of 2002. The motion carried by unanimous vote.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board next reviewed the Montgomery County Tax Assessor/Collector's report dated April 4, 2002 related to tax collections within the District during the month of March, 2002. The report shows that the tax office has collected 90.45% of the District's 2001 taxes through March 31, 2002. Ms. Hargis stated that no checks were written on the District's Tax Account during this reporting period.

After further discussion of tax related matters, a motion was made by Director Adams, seconded by Director Verron and approved by unanimous vote to approve the Tax Assessor/Collector's report. A copy of the Tax Assessor/Collector's report is attached attached hereto as Exhibit "D" and shall be considered a part of these minutes.

Discussion then followed on granting tax exemptions for the 2002 tax year. Ms. Hargis stated that for the 2001 tax year the Board granted (i) a 10% residential homestead exemption, (ii) \$20,000 tax exemption for taxpayers 65 years of age and older, and (iii) \$10,000 tax exemption for taxpayers that are disabled. After discussion, Director Curry moved approval to grant the above-stated tax exemptions for the 2002 tax year. The motion was seconded by Director Adams and approved by unanimous vote.

The Board next considered charging a 15% additional penalty on delinquent 2001 and prior years' taxes, which penalty goes into effect on July 1, 2002. Ms. Hargis reminded the Board that this additional 15% penalty is used to pay the attorney that collects the District's delinquent taxes. Upon a motion made by Director Verron, seconded by Director Mikel, the Board by unanimous vote approved charging an additional 15% penalty on delinquent taxes effective July 1, 2002.

Ms. Hargis next informed the Board of two new exemptions that the District could grant, exemptions for travel trailers and charitable organizations. Upon a motion made by Director Curry, seconded by Director Verron, the Board by unanimous vote agreed not to grant tax exemptions for travel trailers and charitable organizations for the 2002 tax year.

ENGINEER'S REPORT

Mr. Parker presented the report attached hereto as Exhibit "E" and reviewed the following items with the Board:

1. Plans for expanding the wastewater treatment plant should be finalized within the next thirty (30) days and advertising for bids will begin once the approvals are received.
2. Related to drainage channel improvements and site fencing, Mr. Parker stated that he is addressing comments he received from the Texas Water Development Board related to the plans for these projects.

3. Concerning the extension of a sewer line along Ambush Road, Mr. Parker stated that he should have the prices for materials by the next Board meeting.

4. Mr. Parker stated that during the last rain storm, four Lift Stations were severely affected with the run-times registering five-times the normal run-times. Mr. Parker recommended increasing inspections of the Lift Stations and additional system evaluations. Director Sparks stated that it is important that the manholes that have been covered up be located. At the Board's request, Mr. Parker stated that he will prepare a report on the area(s) to be smoked tested, the number of manholes in the area(s), and the cost per manhole for the Board's review at next month's meeting.

5. Mr. Parker next reported that Ms. Hill has not yet transmitted the required documents to the District's Attorney in order for him to prepare the necessary annexation documents.

6. Concerning providing sewer service to the Hill/Martin properties, Mr. Parker reported that Mr. Martin's sewer lines are completed and his property can now receive service from the District. Mr. Parker stated that he is in the process of obtaining proposals to construct the sewer line to Ms. Hill's property.

7. Mr. Parker next stated that the TNRCC will schedule a hearing related to the District's application to expand its CCN because of the protest filed by Barbara Egan.

8. Mr. Parker next informed the Board that, in addition to identifying the locations of the District's existing sewer lines, he notified the Texas Department of Transportation of the locations of sewer lines that the District will construct in the future to serve new development.

9. The installation of the oxidation ditch diversion line has been completed by District personnel. Mr. Parker reported that he has not heard back from the TNRCC

regarding his request to re-route effluent flows from the plant to Ben's Branch Tributary No. 1. Mr. Parker stated that he will follow-up with a telephone call to the TNRCC regarding this matter.

10. Mr. Parker next informed the Board that Robert and Vicki Smith are to provide the District's Attorney with the requisite documents to have their property annexed into the District.

11. Mr. Parker next reviewed the Feasibility Study for the development of White Oak Creek Subdivision by Altair Development Corporation ("Altair"). Mr. Parker stated that it will cost approximately \$325,000 to construct the sewer lines to serve the 68-acre tract of land with 213 single-family lots, including drainage and detention facilities. Mr. Parker stated that Altair has worked out an agreement with Mr. and Mrs. Rhodes whereby the Rhodes will convey Altair an easement. Mr. Parker next stated that the size and location the easement will be determined at a later date.

Edwin Roark informed the Board that he will work with the District's Attorney and Engineer to have that portion of the 68-acre tract that is outside the District annexed into the District.

12. Mr. Parker next informed the Board that he received two requests for service since his written report was completed. Nelo Ilyas is requesting 500 gallons per day of sewer service to serve a 5,000 square-foot retail strip center. Mr. Parker stated that it may be necessary for Mr. Ilyas to put in a grinder pump but that would be at Mr. Ilyas' sole responsibility and cost.

Mr. Parker next stated that Bill Cornelius has requested 7,000 gallons per day of sewer service to serve a restaurant which is currently comprised of 2,000 square feet. Mr. Cornelius plans to add an additional 1,719 feet to the restaurant. The Board concurred

with Mr. Parker's recommendation that the Board defer action on this request until Mr. Parker has had an opportunity to review Mr. Cornelius' request further and review a drawing of the restaurant and its proposed addition.

After further discussion concerning engineering matters, a motion was made by Director Verron, seconded by Director Adams and approved by unanimous vote to accept the Engineer's report as presented by Mr. Parker.

OPERATOR'S REPORT

The Board next received the Operator's report, a copy of which is attached hereto as Exhibit "F". Mr. Lee reviewed the list of work orders completed in March, 2002. Mr. Lee next reported that there were no violations at the wastewater treatment plant during the March reporting period. However, on April 8, 2002, there was a peak flow violation which was reported to the TNRCC.

Mr. Lee next reviewed the run-times of the Lift Stations in March, 2002 compared to the run times in February, 2002. Mr. Lee noted that Lift Station C's run time was very high which can be partially attributed to the Lift Station having a 4-inch pipe instead of a 6-inch pipe. Mr. Lee stated that the Williams Subdivision pumps to Lift Station C and there may be problems with the Subdivision's service lines. Mr. Lee recommended that the Williams Subdivision be one of the first places the Operators smoke-test.

Mr. Lee noted that pages 86 through 89 of the meeting packet are Prescott Instruments' Certificates of Calibration on the flow recorders.

Mr. Lee noted that page 90 of the meeting packet is the District's invoice backcharging Porter Water Supply Corporation for cutting an 18-inch sanitary sewer line. The District's charge totalled \$3,415.

Mr. Lee next informed the Board that the Operators purchased safety signs and cones from Safety Equipment.

After further discussion concerning operations within the District, a motion was made by Director Verron, seconded by Director Adams to approve the Operator's report as presented by Mr. Lee. The motion carried by unanimous vote.

FINANCIAL ADVISOR'S REPORT

The Board did not receive a Financial Advisor's report because no one from SAMCO Capital Markets or Coastal Securities was present at the meeting.

NEW BUSINESS

No new business came before the Board at tonight's meeting.

OLD BUSINESS

It was the consensus of the Board to defer action on a newsletter and articles to be included in the newsletter until a later meeting.

OFFICE MANAGER'S REPORT

Monthly Benefit Reports for the District's personnel were reviewed by Ms. Bate.

Ms. Bate directed the Board's attention to page 104 of the meeting packet, her letter to Mark Gurule backcharging Mr. Murule for a broken clean-out. Ms. Bate stated that the District's Rules and Regulations state that a customer who fails to repair a broken clean-out may be fined up to \$500 per day. After discussion, Director Curry moved approval to charge Mr. Gurule only the District's charge to repair the sanitary sewer system and not to impose the fine. The motion was seconded by Director Verron and approved unanimously.

Ms. Bate next reported that Mary Higginbotham's granddaughter informed her that she will contact an attorney if the District does not make the sewer tap to her grandmother's property. Ms. Bate noted that page 106 of the meeting packet is her letter

to Ms. Higginbotham informing her that the District no longer makes sewer taps and that her \$70 payment made in March, 1984 will be refunded. Director Verron recommended that Ms. Bate mail the check "certified mail, return receipt requested" in order to evidence that the check was received.

Ms. Bate next informed the Board that the District's Notice of Directors Election was posted at the District's office and published in The Chronicle.

After further discussion, Director Mikel moved approval of the Office Manager's report as presented by Ms. Bate. Director Curry seconded the motion which was approved unanimously.

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 8:45 p.m.

PASSED, ADOPTED AND APPROVED this 21st day of May, 2002.

(DISTRICT SEAL)


Secretary, Board of Directors

DO NOT DETACH

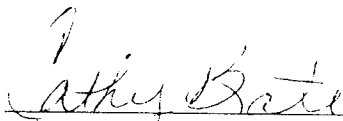
CERTIFICATE OF POSTING OF NOTICE OF MEETING

THE STATE OF TEXAS

COUNTY OF MONTGOMERY

PORTER MUNICIPAL UTILITY DISTRICT

I, Cathy Bate, the undersigned, hereby state that I posted a copy of the attached Notice of Meeting of the Board of Directors of Porter Municipal Utility District at a location convenient to the public, within the boundaries of the District, at 23922 Loop 494, Porter, Texas, on the 25th day March 2002, at 2:10 p.m., which date was not less than 72 hours prior to the scheduled time of the meeting on Thursday, March 28, 2002 at 6:00 p.m.


(Signature)

AGENDA

PORTER MUNICIPAL UTILITY DISTRICT

NOTICE OF SPECIAL MEETING

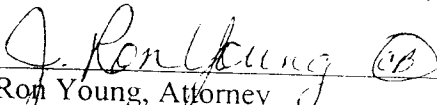
Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of Porter Municipal Utility District will meet for a Special session, open to the public, at **6:00 p.m.**, on **Thursday, March 28, 2002** at the Porter Municipal Utility District Office, 23922 Loop 494, Porter, Texas, at which meeting the following items will be considered:

1. Invocation and Pledge of Allegiance;
2. Review, discuss and take action on Contract proposal from Porter Water Supply Corporation.
3. Review, discuss, approve and authorize any action concerning the Capitol Improvement and Repair Plans.
4. Review, discuss, approve and authorize District Newsletter.

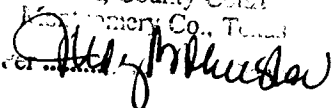
Pursuant to V.T.C.A., Government Code, Chapter 551, the Board of Directors may convene in closed session to discuss matters relating to pending or contemplated litigation, personnel matters, or real estate transactions.

EXECUTED this 25th day of March 2002.

PORTER MUNICIPAL UTILITY DISTRICT


J. Ron Young, Attorney

DISTRICT SEAL

25 POSTED
..... day of March 2002
MARK TURNBULL
Clerk, County Court
Harris County, Texas


MINUTES OF MEETING OF THE
BOARD OF DIRECTORS
MARCH 28, 2002

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §
PORTER MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Porter Municipal Utility District (the "District") met in special session, open to the public, at its regular meeting place inside the boundaries of the District, at 23922 Loop 494, Porter, Texas, on Thursday, March 28, 2002 at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Bill Sparks	-	President
Les L. Adams	-	Vice President
Ursel D. Mikel	-	Secretary
Jacques Verron	-	Treasurer/Investment Officer
Wayne Curry	-	Assistant Secretary/Assistant Treasurer

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Greg Parker, the District's Engineer; Cathy Bate, the District's Office Manager; Pat Dennard, Edna Caples and John Peet, residents of the District; and Gwen Briggs, Recording Secretary for the District. A list of other people attending the meeting is attached hereto as Exhibit "A".

WHEREUPON, the meeting was called to order at 6:00 p.m. The posted meeting notices are attached hereto collectively as Exhibit "B".

PLEDGE OF ALLEGIANCE

The meeting was opened with an invocation by Greg Parker and the reciting of the Pledge of Allegiance.

INTERLOCAL AGREEMENT

The first item of business to come before the Board was an Interlocal Agreement (the "Agreement") between the District and Porter Water Supply Corporation ("PWSC") which Agreement has been proposed by PWSC on numerous occasions. The terms of the Agreement were reviewed, including (i) the District will provide to its customers sewer service only and would only be able to provide water service after obtaining a CCN from the TNRCC to provide said service, (ii) PWSC will provide to its customers water service only and would only be able to provide sewer service after obtaining a CCN from the TNRCC to provide said service, (iii) the District will not protest PWSC conversion into a Special Utility District ("SUD") and (iv) PWSC will not protest the District's application to expand its CCN. The Board then reviewed Ron Young's comments to the Agreement and concluded that it was not in the best interest of the District to enter into the Agreement. Upon a motion made by Director Mikel, seconded by Director Adams, the Board unanimously agreed not to enter into the Interlocal Agreement with PWSC and to continue to oppose the conversion of PWSC into a SUD.

CAPITAL IMPROVEMENT PLAN

Mr. Parker next reviewed a print-out of a 5-year capital improvement and repair plan including prioritizing projects and status of certain on-going repair and improvement projects, including repairs to the District's lift stations.

Mr. Parker noted that the budgeted amount of \$2,500 for fence rehabilitation is high, unless a post had to be pulled, but he would prefer to over budget the expenses than under budget.

Other improvements that will have to be addressed include relocating District facilities and lines when the FM 1314 widening project begins and the expansion of a lift station site.

Mr. Parker next stated that the District's problems with inflow and infiltration would be greatly improved if all District manholes were located and inspected.

After further discussion, Director Verron moved acceptance of Mr. Parker's report. The motion was seconded by Director Curry and approved unanimously. Director Curry then moved approval to authorize the Engineer to adjust, change or amend the capital improvement plan, as needed. The motion was seconded by Director Verron and approved unanimously.

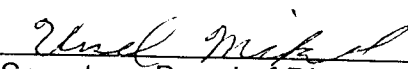
INFORMATION LETTER TO CUSTOMERS

Director Verron and Ms. Bate will work on the initial draft of an information letter to District customers and discuss proposed articles with the other Directors. Mr. Parker presented Ms. Bate with a proposed article for the letter.

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 7:30 p.m.

PASSED, ADOPTED AND APPROVED this 16th day of April, 2002.

(DISTRICT SEAL)


Secretary, Board of Directors

DO NOT DETACH

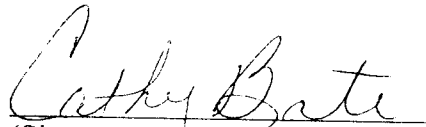
CERTIFICATE OF POSTING OF NOTICE OF MEETING

THE STATE OF TEXAS

COUNTY OF MONTGOMERY

PORTER MUNICIPAL UTILITY DISTRICT

I, Cathy Bate, the undersigned, hereby state that I posted a copy of the attached Notice of Meeting of the Board of Directors of Porter Municipal Utility District at a location convenient to the public, within the boundaries of the District, at 23922 Loop 494, Porter, Texas, on the 14TH day March 2002, at 11:30 a.m., which date was not less than 72 hours prior to the scheduled time of the meeting on Tuesday, March 19, 2002 at 7:00 p.m.


(Signature)

AGENDA

PORTER MUNICIPAL UTILITY DISTRICT

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of Porter Municipal Utility District will meet in regular session, open to the public, at **7:00 p.m.**, on **Tuesday, March 19, 2002** at the Porter Municipal Utility District Office, 23922 Loop 494, Porter, Texas, at which meeting the following items will be considered:

1. Invocation and Pledge of Allegiance;
2. Approval of Minutes of meeting(s) on February 19, 2002;
3. Communications;
 - a. Quarterly Publication of the Texas Water Development Board (winter 2002).
 - b. Porter Water Supply Corporation Annual Newsletter dated February 2002.
 - c. Texas Workers' Compensation Commission, Notice to Employer of Rights and Responsibilities dated February 22, 2002.
 - d. Texas Water Development Board dated February 25, 2002, concerning receipt of Annual Audit for FYE September 30, 2001.
 - e. Texas Natural Resource Conservation Commission dated March 1, 2002 concerning New Legislative Requirements for Class B Sludge Land Application Sites.
 - f. Porter Water Supply Corporation faxes and Certified Letters of same dated March 4, 5 & 6, 2002, concerning copies of Agenda and Minutes from September 1, 2002 through February 28, 2002.
 - g. Take any necessary action on the above listed Communications received.
4. Public Forum, including;
 - a. Mr. & Ms. Gary Grant and Mary Higginbotham concerning sewer tap paid on 3/29/1984 and take any necessary action.
 - b. Mr. & Ms. Tim Stewart concerning sewer backing up into house on February 23, 2002 and take any necessary action.
5. Consider authorization of feasibility study concerning services for development of Edwin Roark, Altair Development tract.
6. Bookkeeper's Report, including;
 - a. Authorizing payment of District bills and issuance of checks.
 - b. Acceptance of bookkeeper's report.
7. Tax Assessor/Collector's report, including;
 - a. Review and Approve Tax report.
8. Engineer's Report, including;
 - a. Review and discuss status of WWTP plans and specifications.
 - b. Review and discuss status of Channel Improvement Plans for WWTP Site.

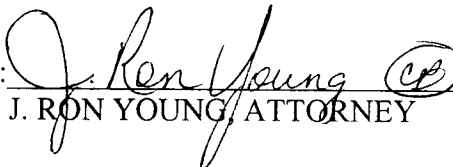
- c. Discuss and take action regarding the sanitary sewer line extension along Ambush Road, including purchase of materials for installation.
 - d. Review status of sanitary sewer system evaluation and authorize additional testing of priority systems as necessary.
 - e. Discuss status of Hill-Martin Annexation and sewer service extension and take any action.
 - f. Review status of CCN Update and Expansion and take any action.
 - g. Review 5+ years - Capital Improvement and Repair Plan and take any action.
 - h. Review and discuss TxDOT plans for widening of FM 1314 and take any action including relocation of District facilities.
 - i. Review status of wastewater facility modifications of existing WWTP.
 - j. Review request for annexation by Robert & Vicki Smith.
 - k. Other Engineering items for discussion and action, as appropriate.
 - 1. Review inquires for sewer service outside current boundaries.
 - 2. Other items as may require consideration.
9. Operator's Report, including;
- a. Monthly report on operations of wastewater treatment plant and Lift Stations.
 - b. Discuss and take action concerning purchase of spare 25 HP Motor for influent and effluent pumps.
 - c. Discuss and take action concerning purchase of Rotating Assembly for #2 RAS Pump.
 - d. Discuss and take action concerning having the existing Rotating Assembly, RAS Pump rebuilt.
 - e. Discuss and take action concerning #3 Influent Pump out of order.
 - f. Other operation items for discussion and appropriate action as deemed necessary.
10. Financial Advisor's Report;
11. New business;
- a. Approve Order Calling 2002 Directors Election.
 - b. Authorize Attorney to prepare and file with U.S. Department of Justice a Voting Rights Submission, if necessary.
 - c. Designate Election Officials for May 4, 2002 Directors Election.
 - d. Discuss and take action concerning the hourly rate of pay for Election Officials for Directors election.
 - e. Discuss and take action concerning installing Sanitary Sewer Boxes on cleanout at Easement and incorporate into the District Rules and Regulations.
 - f. Consider and take action on furnishing Minutes that are not approved and signed.
 - g. Consider and take action on cost of duplicating District Records when requested.

12. Old business;
 - a. Authorize all necessary action to oppose Porter Water Supply Corporation conversion to SUD.
 - b. Ratify any and all actions taken by District and any and all action taken by Attorney for District to oppose Porter Water Supply Corporation conversion to SUD.
13. Office Manager's Report, including;
 - a. Monthly benefit reports.
 - b. Review status concerning winter average, which will go into effect April 1, 2002 for the next year and take any necessary action.
 - c. Review and Approve private well metering, billing and testing procedures to be incorporated into District Rate Order.
14. Attorney's Report;
15. Reports and proposals by Board of Directors;
 - a. Discuss articles and information for Newsletter mailing to District Customers.

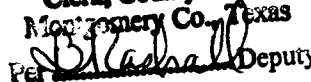
Pursuant to V.T.C.A., Government Code, Chapter 551, the Board of Directors may convene in closed session to discuss matters relating to pending or contemplated litigation, personnel matters, or real estate transactions.

EXECUTED this 14th day of March 2002.

PORTER MUNICIPAL UTILITY DISTRICT

By: 
J. RON YOUNG, ATTORNEY

DISTRICT SEAL

POSTED
14 day of Mar 02
MARK TURNBULL
Clerk, County Court
Montgomery Co., Texas
Per  Deputy

MINUTES OF MEETING OF THE
BOARD OF DIRECTORS
MARCH 19, 2002

THE STATE OF TEXAS §
COUNTY OF MONTGOMERY §
PORTER MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Porter Municipal Utility District (the "District") met in regular session, open to the public, at its regular meeting place inside the boundaries of the District, at 23922 Loop 494, Porter, Texas, on Tuesday, March 19, 2002 at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Bill Sparks	-	President
Les L. Adams	-	Vice President
Ursel D. Mikel	-	Secretary
Jacques Verron	-	Treasurer/Investment Officer
Wayne Curry	-	Assistant Secretary/Assistant Treasurer

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ronnie Lee and Jeffrey Kay, Operators for the District; Greg Parker, the District's Engineer; Jeannie Hargis with the office of Paula J. Hargis, CPA, the District's Bookkeeper; Cathy Bate, the District's Office Manager; Edna Caples and Pat Dennard, residents of the District; and Gwen Briggs, Recording Secretary for the District. A list of other people attending the meeting is attached hereto as Exhibit "A".

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PLEDGE OF ALLEGIANCE

The meeting was opened with an invocation by Director Sparks and the reciting of the Pledge of Allegiance.

APPROVAL OF MINUTES

The first item of business to come before the Board was the approval of the minutes from the meeting held on February 19, 2002. Director Verron moved approval of the minutes from the February 19, 2002 meeting, as presented. Director Adams seconded the motion which was approved by unanimous vote.

COMMUNICATIONS

Communications reviewed by the Board include those items listed on tonight's agenda under item 3. a. through 3. f. and contained in the meeting packet beginning on page 16 through page 53. Mr. Parker assured the Board that he and the Operators are aware of new legislative requirements for Class B Sludge Land Application Sites. Director Adams moved acceptance of the communications contained in the meeting packet. The motion was seconded by Director Verron and approved by unanimous vote.

HEAR FROM THE PUBLIC

The Board noted that no one from the public was in attendance who wished to address the Board. Ms. Bate explained that Mary Higginbotham paid \$70.00 for a sewer tap in March of 1984. Ms. Higginbotham is now claiming that the lot number appearing on her receipt is incorrect and Ms. Higginbotham is now requesting that a tap be made to serve her property at no additional expense to her. The Board noted that the District does not make taps any longer. After discussion, Director Mikel moved approval that no sewer

tap will be made to Ms. Higginbotham's property but the District will refund her the \$70.00 she paid the District in 1984. Director Verron seconded the motion which was approved by unanimous vote.

The Board noted that the Stewarts were not in attendance at tonight's meeting to address the Board about a sewer back-up into their house. It was the consensus of the Board to table action on this matter until next month's meeting.

It was the consensus of the Board to call a special meeting to discuss and possibly take action on an Interlocal Agreement between the District and Porter Water Supply Corporation ("PWSC").

ALTAIR DEVELOPMENT'S REQUEST FOR SERVICE

Mr. Roark reviewed his company's development experience and stated that most projects developed by the owner of Altair Development Corporation, William F. Mitchell, have been in the Friendswood area. Mr. Roark stated that his company is in the feasibility study phase of developing 55 acres located north of FM 1314, on the east side of Interstate 59 and adjacent to William Dark's property. Preliminary plans call for 213 lots with the single family houses built on concrete slabs. Mr. Roark stated that curb and gutter streets are also planned. Mr. Roark next stated that the average home price will be approximately \$110,000 and that the District's assessed value should increase by approximately \$23,000,000 after full development.

Mr. Roark stated that he must obtain a Sewer Easement from a property owner, Mr. Rhoades, who has been reluctant to granting this Easement because of the possibility that some of his trees may be damaged during the construction of the underground utilities.

Mr. Roark next inquired about District reimbursement for the project. The Board noted that reimbursement will be considered only after the assessed valuation from this project is realized and there is no negative affect to the District's tax rate from selling bonds to reimburse the developer.

After further discussion, Director Mikel moved approval for the Engineer to prepare a feasibility study to serve Altair Development Corporation's 55-acres and that the developer pay the costs of this feasibility study, which is estimated at \$1,500. The motion was seconded by Director Verron and approved unanimously.

BOOKKEEPER'S REPORT

The Board next received the Bookkeeper's report. Ms. Hargis reviewed with the Board the Bookkeeper's report, a copy of which is attached hereto as Exhibit "C". The District's Depository Pledge Reports with Bank of America and Wells Fargo Bank for the month of March are included in the Bookkeeper's report attached hereto. Ms. Hargis also reviewed the additional checks written after her written report was completed.

Following review of the Bookkeeper's reports and further discussion concerning District funds, a motion was made by Director Verron to approve the Bookkeeper's report. The motion was seconded by Director Adams and approved by unanimous vote. Director Verron then moved approval of payment of the checks listed in the Bookkeeper's report, including payment of the additional checks presented at the meeting which do not appear on the written report. The motion was seconded by Director Mikel and approved by unanimous vote.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board next reviewed the Montgomery County Tax Assessor/Collector's report dated March 5, 2002 related to tax collections within the District during the month of February, 2002. The report shows that the tax office has collected 88.14% of the District's 2001 taxes through February 28, 2002. Ms. Hargis stated that no checks were written on the District's Tax Account during this reporting period.

After further discussion of tax related matters, a motion was made by Director Curry, seconded by Director Mikel and approved by unanimous vote to approve the Tax Assessor/Collector's report. A copy of the Tax Assessor/Collector's report is attached hereto as Exhibit "D" and shall be considered a part of these minutes.

ENGINEER'S REPORT

Mr. Parker presented the report attached hereto as Exhibit "E" and reviewed the following items with the Board:

1. Plans for expanding the wastewater treatment plant should be finalized in the near future.
2. Related to drainage channel improvements and site fencing, Mr. Parker stated that he received some the required approvals for the channel improvements and will advertise for bids once the remaining approvals are received.
3. Concerning the extension of a sewer line along Ambush Road, Mr. Parker stated that he should have the prices for materials by the next Board meeting. Mr. Parker expects to receive from the City of Houston the executed plans for this project in the very near future.

4. Mr. Parker stated that he and the Operators continue to monitor lift station run times and flows at the treatment plant.

5. Mr. Parker next reported that Ms. Hill is transmitting the required documents to the District's Attorney in order for him to prepare the necessary annexation documents.

6. Concerning providing sewer service to the Hill/Martin properties, Mr. Parker reported that Martin's sewer lines passed the standard TNRCC and City of Houston test procedures.

7. Mr. Parker noted that pages 76 through 82 of the meeting packet contain his response to the TNRCC and Ms. Barbara Egan concerning the District's application to expand its CCN.

8. Mr. Parker directed the Board's attention to page 90 of the meeting packet, a 5-year Capital Improvement and Repair Plan, which was first presented to the Board at the January, 2002 meeting.

9. Mr. Parker next informed the Board that he has not yet received the requested maps from the Montgomery County Engineer related to the FM 1314 widening project. Mr. Parker reported that after reviewing a TxDot drawing, it appears paving may interfere with a District lift station.

10. The installation of the oxidation ditch diversion line has been completed by District personnel. Mr. Parker reported that he has not heard back from the TNRCC regarding his request to re-route effluent flows from the plant to Ben's Branch Tributary No. 1. Mr. Parker stated that he will send a follow-up letter to the TNRCC requesting their response.

11. Mr. Parker next informed the Board that Robert and Vicki Smith have submitted an application and paid the requisite fee to be annexed into the District. The Smith's property is located at Briar Tree and FM 1314. Upon a motion made by Director Curry, seconded by Director Verron, the Board by unanimous vote approved the Smith's request for their property to be annexed into the District.

12. Mr. Parker next stated that he received four inquiries about sewer service to properties located outside the District. Mr. Parker stated that he transmitted the Information Form the Board approved at a prior meeting to these individuals.

13. Mr. Parker next informed the Board that he approved plans for Walgreens and Cornelius. Mr. Parker stated that he has rejected Family Dollar Store's plans twice because the plans show inconsistencies in separation between the water line and the sewer line.

After further discussion concerning engineering matters, a motion was made by Director Verron, seconded by Director Curry and approved by unanimous vote to accept the Engineer's report as presented by Mr. Parker.

OPERATOR'S REPORT

The Board next received the Operator's report, a copy of which is attached hereto as Exhibit "F". Mr. Lee reviewed the list of work orders completed in February, 2002. Mr. Lee next reported that there was one peak flow violation at the wastewater treatment plant during this reporting period.

Mr. Lee next reviewed the run-times of the Lift Stations in February, 2002 compared to the run times in January, 2002.

Mr. Lee next reviewed NTS' cost proposal for a new 25-hp motor at \$836. Upon a motion made by Director Mikel, seconded by Director Curry, the Board by unanimous vote approved the above-stated purchase.

Mr. Lee next reviewed Delta Pump & Power's cost proposal for a new rotating assembly at \$1,723. Mr. Lee stated a rebuilt rotating assembly will cost \$1,200. Upon a motion made by Director Curry, seconded by Director Verron, and approved by unanimous vote, the Board authorized the Operators to purchase a rebuilt rotating assembly at a cost of \$1,200.

Mr. Lee next reviewed Moody Bros. Inc.'s cost proposal for a bullhorn remote monitoring system at \$13,533. Mr. Lee stated that the nine units will be installed in twos over a period of nine months. The Board, by unanimous vote, approved Moody Bros. Inc.'s proposal for the above-described monitoring system.

Mr. Lee next informed the Board of DXI Industries' cost increase for chlorine by \$50 per ton.

After further discussion concerning operations within the District, a motion was made by Director Curry and seconded by Director Adams to approve the Operator's report as presented by Mr. Lee. The motion carried by unanimous vote.

FINANCIAL ADVISOR'S REPORT

The Board did not receive a Financial Advisor's report because no one from SAMCO Capital Markets or Coastal Securities was present at the meeting.

NEW BUSINESS

The Board next considered adopting an Order Calling 2002 Directors Election which election is scheduled for Saturday, May 4, 2002. Director Verron and Director Sparks are up for re-election. Upon a motion made by Director Curry, seconded by Director Verron, and approved by unanimous vote, the Board adopted the Order Calling 2002 Directors Election and further designated the Porter MUD Office as the polling place for both Early Voting and the day of the election.

Upon a motion made by Director Verron, seconded by Director Mikel, and approved by unanimous vote, the Board authorized the District's Attorney to prepare and file with the U.S. Department of Justice a Voting Rights Submission, if necessary.

Concerning the appointment of election officials for the 2002 Directors Election, Director Mikel moved approval to appoint Ruth Mays as the Presiding Judge and Early Voting Clerk and Virginia Hammock and Joyce Everson as Clerks to assist on May 4, 2002. The motion was seconded by Director Curry and approved unanimously.

Related to paying the election officials for manning the polls at the 2002 Directors Election, Director Adams motioned approval to set the pay at \$7.00 per hour. The motion was seconded by Director Mikel and approved unanimously.

Discussion followed on requiring the installation of sanitary sewer boxes on clean-outs which will assist the Operator in identifying the location of a sewer line. Upon a motion made by Director Curry, seconded by Director Verron, the Board authorized the Operator to purchase sanitary sewer boxes and to amend the District's Rules and

Regulations to require that all new customers have a sanitary sewer box installed on their sewer line at their expense. The motion carried by unanimous vote.

Discussion followed on the District's current policy to provide minutes of Board meetings only after the minutes have been approved and signed at a District meeting. The Board agreed not to revise the District's policy. Director Mikel moved approval to require that anyone requesting a copy of the approved and signed minutes execute a receipt. The motion was seconded by Director Verron and approved unanimously.

Discussion then followed on the District's current policy to charge \$0.10 per page for duplicating District records for the current month and \$0.25 per page for prior months' records. The Board agreed not to revise the District's policy.

OLD BUSINESS

Upon a motion made by Director Verron, seconded by Director Adams, the Board by majority vote authorized all necessary action be taken for the District to oppose PWSC conversion to a Special Utility District ("SUD"). Director Curry abstained from voting.

Upon a motion made by Director Adams, seconded by Director Verron, the Board by majority vote ratified any and all actions taken by the District and/or the District's Attorney in connection with the District's opposition to PWSC converting to a SUD. Director Curry abstained from voting.

OFFICE MANAGER'S REPORT

Monthly Benefit Reports for the District's personnel were reviewed by Ms. Bate.

Ms. Bate estimated that the District will collect \$54,600 in sewer revenues based on the winter averaging calculations.

Concerning private wells and the monitoring thereof, Director Curry moved approval to amend the District's rate order to require anyone within the boundaries of the District utilizing a private well, to have it tested annually and provide the District with written certification of the results of the test. Director Verron seconded the motion which was approved by unanimous vote.

After further discussion, Director Verron moved approval of the Office Manager's report as presented by Ms. Bate. Director Curry seconded the motion which was approved unanimously.

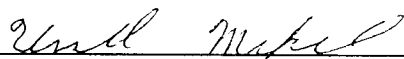
DIRECTORS' REPORTS

Director Sparks suggested that an information letter be drafted for transmittal to all District customers. Upon a motion made by Director Adams, seconded by Director Curry, the Board by unanimous vote authorized the preparation of such letter. The Board agreed to review a draft letter at the special meeting, yet to be scheduled.

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 8:45 p.m.

PASSED, ADOPTED AND APPROVED this 16th day of April, 2002.

(DISTRICT SEAL)


Secretary, Board of Directors

DO NOT DETACH

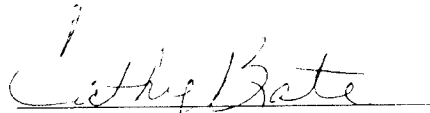
CERTIFICATE OF POSTING OF NOTICE OF MEETING

THE STATE OF TEXAS

COUNTY OF MONTGOMERY

PORTER MUNICIPAL UTILITY DISTRICT

I, Cathy Bate, the undersigned, hereby state that I posted a copy of the attached Notice of Meeting of the Board of Directors of Porter Municipal Utility District at a location convenient to the public, within the boundaries of the District, at 23922 Loop 494, Porter, Texas, on the 14TH day February 2002, at 10:45 a.m., which date was not less than 72 hours prior to the scheduled time of the meeting on Tuesday, February 19, 2002 at 7:00 p.m.


(Signature)

AGENDA

PORTER MUNICIPAL UTILITY DISTRICT

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of Porter Municipal Utility District will meet in regular session, open to the public, at **7:00 p.m.**, on **Tuesday, February 19, 2002** at the Porter Municipal Utility District Office, 23922 Loop 494, Porter, Texas, at which meeting the following items will be considered:

1. Invocation and Pledge of Allegiance;
2. Approval of Minutes of meeting(s) on January 15, 2002,
3. Communications;
4. Public Forum, including;
5. Bookkeeper's Report, including;
 - a. Authorizing payment of District bills and issuance of checks.
 - b. Acceptance of bookkeeper's report.
 - c. Review, discuss and approve 2002 Shareholder Proxy with Nations Funds.
6. Tax Assessor/Collector's report, including;
 - a. Approval of report.
7. Engineer's Report, including;
 - a. Review and discuss status of WWTP Expansion.
 - b. Review and discuss status of Channel Improvement Plans for WWTP Site.
 - c. Discuss and take action regarding the sanitary sewer line extension along Ambush Road, including purchase of materials for installation.
 - d. Discuss status of Hill-Martin Annexation.
 - e. Discuss status of Hill-Martin service and take any necessary action.
 - f. Review status of CCN Update and Expansion and take any required action.
 - g. Review and discuss Capital Improvement and Repair Plan
 - h. Review status of TxDOT FM 1314 Project.
 - i. Review, discuss and take any necessary action concerning WWTP Temporary Modifications.
 - j. Discuss status concerning Townley sanitary sewer service.
 - k. Other Engineering Matters:
 1. Discuss status of New Caney Middle School.
 2. Discuss status of Walgreens.
 3. Discuss and take action regarding Bill Cornelius Capacity Request.
 4. Review and take any necessary action concerning Miscellaneous Service Inquiries.

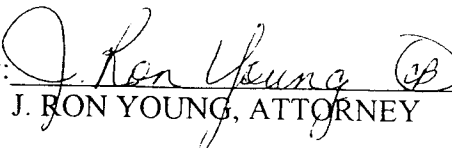
14 day of Feb 2002
MARK TURNBULL
Clerk, County Court
Porter, Texas
Deputy

8. Operator's Report, including;
 - a. Monthly report on operations of wastewater treatment plant and Lift Stations.
 - b. Other operation items for discussion and appropriate action as deemed necessary.
9. Financial Advisor's Report;
10. New business;
 - a. Review, discuss and consider approval of Directors & Officers Liability Insurance Application.
 - b. Review, discuss and consider approval of Workers' Compensation deductible.
 - c. Review, discuss and consider approval of Uninsured/Underinsured Motorists Coverage and Personal Injury Protection selection/rejection.
 - d. Review, discuss and consider approval of Certification of Compliance with Fair Credit Reporting Act (motor vehicle reports "MVRs")
11. Old business;
 - a. Discuss and Consider Prefunding Agreement with Sigpartners Limited and authorize execution.
12. Office Manager's Report, including;
 - a. Monthly benefit reports.
13. Attorney's Report;
14. Reports and proposals by Board of Directors;
 - a. Report from Jacques Verron concerning attendance at the Association of Water Board Directors Conference and take any necessary action.

Pursuant to V.T.C.A., Government Code, Chapter 551, the Board of Directors may convene in closed session to discuss matters relating to pending or contemplated litigation, personnel matters, or real estate transactions.

EXECUTED this 14th day of February 2002.

PORTER MUNICIPAL UTILITY DISTRICT

By: J. Ron Young 
J. RON YOUNG, ATTORNEY

DISTRICT SEAL

POSTED
14. day of Feb. 2002
MARK TURNBULL
Clerk, County Court
Tarrant County, Texas
B. R. Marshall Deputy

MINUTES OF MEETING OF THE
BOARD OF DIRECTORS
FEBRUARY 19, 2002

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

PORTER MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Porter Municipal Utility District (the "District") met in regular session, open to the public, at its regular meeting place inside the boundaries of the District, at 23922 Loop 494, Porter, Texas, on Tuesday, February 19, 2002 at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Bill Sparks	-	President
Les L. Adams	-	Vice President
Ursel D. Mikel	-	Secretary
Jacques Verron	-	Treasurer/Investment Officer
Wayne Curry	-	Assistant Secretary/Assistant Treasurer

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ronnie Lee and Jeffrey Kay, Operators for the District; Greg Parker, the District's Engineer; Jeannie Hargis with the office of Paula J. Hargis, CPA, the District's Bookkeeper; Cathy Bate, the District's Office Manager; J. Ron Young with Young & Brooks, the District's Attorney; and Gwen Briggs, Recording Secretary for the District. A list of other people attending the meeting is attached hereto as Exhibit "A".

WHEREUPON, the meeting was called to order at 7:00 p.m. The posted meeting notices are attached hereto collectively as Exhibit "B".

PLEDGE OF ALLEGIANCE

The meeting was opened with an invocation by Director Sparks and the reciting of the Pledge of Allegiance.

APPROVAL OF MINUTES

The first item of business to come before the Board was the approval of the minutes from the meeting held on January 15, 2002. Director Curry moved approval of the minutes from the January 15, 2002 meeting, as presented. Director Mikel seconded the motion which was approved by unanimous vote.

COMMUNICATIONS

Communications reviewed by the Board includes (i) correspondence from and to the District's Auditor, Hereford Lynch Sellars & Kirkham, related to the District's September 30, 2001 and September 30, 2002 audits; and (ii) communication from the Porter Water Supply Corporation. Director Adams moved acceptance of the communications contained in the meeting packet. The motion was seconded by Director Curry and approved by unanimous vote.

CLOSED SESSION

Director Sparks convened the meeting into Closed Session at 7:05 p.m., pursuant to V.T.C.A. Government Code, Chapter 551, as amended.

OPEN SESSION

Director Sparks reconvened the meeting into Open Session at 7:50 p.m. and the Board resumed addressing the items contained on the agenda.

HEAR FROM THE PUBLIC

The Board noted that no one from the public was in attendance who wished to address the Board.

BOOKKEEPER'S REPORT

The Board next received the Bookkeeper's report. Ms. Hargis reviewed with the Board the Bookkeeper's report, a copy of which is attached hereto as Exhibit "C". The District's Depository Pledge Reports with Bank of America and Wells Fargo Bank for the month of February are included in the Bookkeeper's report attached hereto. Ms. Hargis also reviewed the additional checks written after her written report was completed.

Following review of the Bookkeeper's reports and further discussion concerning District funds, a motion was made by Director Verron to approve the Bookkeeper's report. The motion was seconded by Director Adams and approved by unanimous vote. Director Adams then moved approval of payment of the checks listed in the Bookkeeper's report, including payment of the additional checks presented at the meeting which do not appear on the written report. The motion was seconded by Director Verron and approved by unanimous vote.

It was the consensus of the Board not to take any action on Nations Funds' 2002 Shareholder Proxy related to the reorganization of the District's general operating account into a corresponding successor fund.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board next reviewed the Montgomery County Tax Assessor/Collector's report dated February 6, 2002 related to tax collections within the District during the month of

January, 2002. The report shows that the tax office has collected 76.9% of the District's 2001 taxes through January 31, 2002. Ms. Hargis stated that no checks were written on the District's Tax Account during this reporting period.

After further discussion of tax related matters, a motion was made by Director Verron, seconded by Director Adams and approved by unanimous vote to approve the Tax Assessor/Collector's report. A copy of the Tax Assessor/Collector's report is attached hereto as Exhibit "D" and shall be considered a part of these minutes.

ENGINEER'S REPORT

Mr. Parker presented the report attached hereto as Exhibit "E" and reviewed the following items with the Board:

1. Plans for expanding the wastewater treatment plant should be finalized in the near future.

2. Related to drainage channel improvements and site fencing, Mr. Parker stated that he will advertise for bids for the channel improvements once he receives the required approvals. The site fencing bids and work will follow the channel improvements.

3. Concerning the extension of a sewer line along Ambush Road, Mr. Parker stated that he is obtaining prices for materials and that Mr. Martin will begin the extension once the materials are available and the required approvals have been received.

4. Mr. Parker next reported that Ms. Hill is transmitting the required documents to the District's Attorney in order for him to prepare the necessary annexation documents.

5. Concerning providing sewer service to the Hill/Martin properties, Mr. Parker reported that the Texas Department of Transportation ("TxDOT") approved the crossing of FM 1314 and permits have been issued.

6. Mr. Parker next informed the Board that the TNRCC received a protest from Ms. Barbara Egan concerning the District's application to expand its CCN. Mr. Parker reviewed his response letter to Ms. Egan's concerns. Mr. Parker next stated that the TNRCC suggested that a Director may want to contact Ms. Egan regarding her concerns.

Mr. Parker next stated that the hearing on the District's CCN application can be held here in the Porter area or in Austin, Texas. Mr. Parker continued that a TNRCC hearing officer will attempt to resolve Ms. Egan's concerns prior to scheduling a hearing. It was the consensus of the Board that there are no objections to holding the hearing in Austin, Texas.

The TNRCC also requested additional information regarding the District's CCN application. Mr. Parker stated that he is compiling the data and will submit his response and data prior to the February 22, 2002 deadline. Upon a motion made by Director Curry, seconded by Director Verron, the Board by unanimous vote authorized Mr. Parker to file his response with the TNRCC prior to the above-stated deadline.

7. Mr. Parker next informed the Board that he has not yet received the requested maps from the Montgomery County Engineer related to the FM 1314 widening project. Director Verron reported that TxDOT is in the process of having the property appraised that will be utilized in this project.

8. The installation of the oxidation ditch diversion line has been completed by District personnel. Mr. Parker reported that he has not heard back from the TNRCC regarding his request to re-route effluent flows from the plant to Ben's Branch Tributary No. 1.

9. Mr. Parker next informed the Board that he is drafting a letter to Mr. Townley informing him that it appears possible to obtain sewer service from the District but that he will first have to obtain an easement from an adjacent landowner.

10. Mr. Parker next stated that he is reviewing Walgreen's architectural plans to ensure that they comply with the District's rules and regulations.

11. Mr. Parker next informed the Board that he received a request from Bill Cornelius for 350 gallons per day of sewer service for a 2,400 square foot commercial building within the District. Mr. Cornelius wants to tie into an existing grinder pump. It was the consensus of the Board that Mr. Cornelius must assume responsibility for the grinder pump as a condition to receiving sewer service from the District.

12. Mr. Parker next reported that he has received several requests for sewer service from out-of-district landowners. After discussion, Director Adams moved approval for the Engineer to prepare a form to be sent to landowners requesting service to properties located outside the District and, further, to enclose a pre-addressed return envelope. The motion was seconded by Director Verron and approved unanimously.

After further discussion concerning engineering matters, a motion was made by Director Mikel, seconded by Director Adams and approved by unanimous vote to accept the Engineer's report as presented by Mr. Parker.

OPERATOR'S REPORT

The Board next received the Operator's report, a copy of which is attached hereto as Exhibit "F". Mr. Lee reviewed the list of work orders completed in January, 2002. Mr. Lee next reported that there were no excursions at the wastewater treatment plant during this reporting period.

Mr. Lee next reviewed the run-times of the Lift Stations in January, 2002 compared to the run times in December, 2001.

After further discussion concerning operations within the District, a motion was made by Director Verron and seconded by Director Mikel to approve the Operator's report as presented by Mr. Lee. The motion carried by unanimous vote.

FINANCIAL ADVISOR'S REPORT

The Board did not receive a Financial Advisor's report because no one from SAMCO Capital Markets or Coastal Securities was present at the meeting.

NEW BUSINESS

Ms. Bate stated that Kemper has a new Directors and Officers Insurance Application form which has been completed and needs to be signed by the President of the Board. Upon a motion made by Director Verron, seconded by Director Mikel, the Board by unanimous vote approved Director Sparks executing Kemper's new Directors and Officers Insurance Application form.

Ms. Bate next directed the Board's attention to National American Insurance Company's Notice that no deductible should be applied to the District's Workers

Compensation insurance. The Notice must be signed by the President of the Board to be effective. Upon a motion made by Director Mikel, seconded by Director Verron, the Board unanimously approved Director Sparks signing National American Insurance Company's Notice of Deductible.

The Board next considered purchasing Uninsured/Underinsured Motorists Coverage and Personal Injury Protection. Upon a motion made by Director Verron, seconded by Director Curry, the Board unanimously approved purchasing the above-stated insurance.

The Board next considered approving a Certification of Compliance with Fair Credit Reporting Act which states, in part, that any consumer reports requested by the District from Brown & Brown of Texas will be used for employment purposes only. Upon a motion made by Director Curry, seconded by Director Verron, the Board unanimously approved the above-stated Certification.

OFFICE MANAGER'S REPORT

Monthly Benefit Reports for the District's personnel were reviewed by Ms. Bate. After further discussion, Director Curry moved approval of the Office Manager's report as presented by Ms. Bate. Director Verron seconded the motion which was approved unanimously.

DIRECTORS' REPORTS

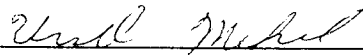
Discussion followed on whether the District should join the Association of Water Board Directors ("AWBD"). It was noted that the AWBD is an excellent source of information regarding issues that affect utility districts and directors. A motion was then

made by Director Verron and seconded by Director Curry to join the AWBD at an annual due of \$450. The motion carried by unanimous vote.

There being no further business to come before the Board, upon a motion duly made, seconded and unanimously approved, the meeting was adjourned at 9:00 p.m.

PASSED, ADOPTED AND APPROVED this 19th day of March, 2002.

(DISTRICT SEAL)


Secretary, Board of Directors

DO NOT DETACH

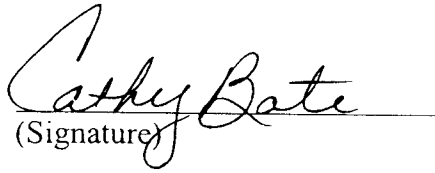
CERTIFICATE OF POSTING OF NOTICE OF MEETING

THE STATE OF TEXAS

COUNTY OF MONTGOMERY

PORTER MUNICIPAL UTILITY DISTRICT

I, Cathy Bate, the undersigned, hereby state that I posted a copy of the attached Notice of Meeting of the Board of Directors of Porter Municipal Utility District at a location convenient to the public, within the boundaries of the District, at 23922 Loop 494, Porter, Texas, on the 10TH day January 2002, at 11:30 a.m., which date was not less than 72 hours prior to the scheduled time of the meeting on Tuesday, January 15, 2002 at 7:00 p.m


(Signature)

AGENDA

PORTER MUNICIPAL UTILITY DISTRICT

FILED
10 day of January 2002
MARK TURNBULL
Clerk, County Court
Montgomery Co., Texas
Deputy

Notice is hereby given pursuant to V.T.C.A., Government Code, Chapter 551, that the Board of Directors of Porter Municipal Utility District will meet in regular session, open to the public, at **7:00 p.m.**, on **Tuesday, January 15, 2002** at the Porter Municipal Utility District Office, 23922 Loop 494, Porter, Texas, at which meeting the following items will be considered:

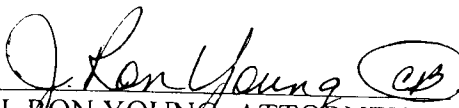
1. Invocation and Pledge of Allegiance;
2. Approval of Minutes of meeting(s) on December 10, 2001, December 18, 2001 and December 27, 2001;
3. Communications;
4. Public Forum, including;
5. Bookkeeper's Report, including;
 - a. Authorizing payment of District bills and issuance of checks.
 - b. Acceptance of bookkeeper's report.
 - c. Approval of Investment Reports for the fourth quarter of 2001.
6. Tax Assessor/Collector's report, including;
 - a. Approval of report.
7. Engineer's Report, including;
 - a. Review and discuss status of WWTP plans and specifications.
 - b. Review and discuss status of Channel Improvement Plans for WWTP Site.
 - c. Discuss and take action regarding the sanitary sewer line extension along Ambush Road, including purchase of materials for installation.
 - d. Review status of sanitary sewer system evaluation and authorize additional testing of priority systems.
 - e. Review status of North Park Drive annexation and service inquiries.
 - f. Discuss status of Hill-Martin Annexation and sewer service extension and take any action.
 - g. Review status of CCN Update and Expansion and take any action including modification of application.
 - h. Review status of 5+ Year – Capital Improvement and Repair Plan and take any action.
 - i. Review and discuss TxDOT plans for widening of FM 1314 and take any action including relocation of District facilities.
 - j. Review options for control of wastewater overflows at existing WWTP.
 - k. Review options to provide service to Mr. Townley and others on Ironwood Road.
 - l. Review, discuss and consider approval of Utility Capacity Commitment for Walgreens on FM 1314.

- m. Other engineering items for discussion and action, as appropriate:
 - 1. Other items as may require consideration.
- 8. Operator's Report, including;
 - a. Monthly report on operations of wastewater treatment plant and Lift Stations.
 - b. Consider and take action on purchasing Pillow Block Bearing for Rotors.
 - c. Consider and take action on repair to Rotor Gear Box for emergency backup.
 - d. Consider and take action on repair to pump removed from Lift Station J
 - e. Consider and take action on repairing grinder pumps
 - f. Other operation items for discussion and appropriate action as deemed necessary.
- 9. Financial Advisor's Report;
- 10. New business,
 - a. Approval of audit for fiscal year October 1, 2000 thru September 30, 2001.
 - b. Consider approving engagement letter from Hereford, Lynch, Sellars & Kirkham for purposes of auditing District's records for fiscal year ending September 30, 2002.
- 11. Old business;
- 12. Office Manager's Report, including;
 - a. Monthly benefit reports.
 - b. Consider and take action on Entergy's Contractor cutting sewer main at 23410 Albert Drive.
- 13. Attorney's Report;
- 14. Reports and proposals by Board of Directors;

Pursuant to V.T.C.A., Government Code, Chapter 551, the Board of Directors may convene in closed session to discuss matters relating to pending or contemplated litigation, personnel matters, or real estate transactions.

EXECUTED this 10th day of January 2002.

PORTER MUNICIPAL UTILITY DISTRICT

By: 
J. RON YOUNG, ATTORNEY

DISTRICT SEAL

MINUTES OF MEETING OF THE
BOARD OF DIRECTORS
JANUARY 15, 2002

THE STATE OF TEXAS §

COUNTY OF MONTGOMERY §

PORTER MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Porter Municipal Utility District (the "District") met in regular session, open to the public, at its regular meeting place inside the boundaries of the District, at 23922 Loop 494, Porter, Texas, on Tuesday, January 15, 2002 at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Bill Sparks	-	President
Les L. Adams	-	Vice President
Ursel D. Mikel	-	Secretary
Jacques Verron	-	Treasurer/Investment Officer
Wayne Curry	-	Assistant Secretary/Assistant Treasurer

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ronnie Lee and Jeffrey Kay, Operators for the District; Greg Parker, the District's Engineer; Jeannie Hargis with the office of Paula J. Hargis, CPA, the District's Bookkeeper; Cathy Bate, the District's Office Manager; Bill Blitch of Samco Capital Markets, co-Financial Advisor to the District; Tommy Sellars and Catherine Welch of Hereford, Lynch, Sellars & Kirkham, Certified Public Accounts, the District's Auditor; and Gwen Briggs, Recording Secretary for the District. A list of other people attending the meeting is attached hereto as Exhibit "A".

WHEREUPON, the meeting was called to order at 7:00 p.m. The posted meeting notices are attached hereto collectively as Exhibit "B".

PLEDGE OF ALLEGIANCE

The meeting was opened with an invocation by Greg Parker and the reciting of the Pledge of Allegiance.

APPROVAL OF MINUTES

The first item of business to come before the Board was the approval of the minutes from the meetings held on December 10, 2001, December 18, 2001 and December 27, 2001. Director Curry moved approval of the minutes from the December 10, 2001 meeting, as presented. Director Adams seconded the motion which was approved by unanimous vote. Director Adams then motioned approval of the minutes from December 18, 2001 and December 27, 2001 meetings, as presented. The motion was seconded by Director Verron and approved unanimously.

COMMUNICATIONS

Communications reviewed by the Board includes (i) correspondence from Blazier, Christensen, Bigelow & Virr, Attorneys in Austin, Texas, representing the Porter Water Supply Corporation ("PWSC"); (ii) PWSC's newsletter; (iii) Prefunding Agreement between the District and Sigpartners Limited; and (iv) Notice of Intent to Sell Facilities and Transfer a Portion of CCN of Riverwalk, Inc. Director Curry moved acceptance of the communications contained in the meeting packet. The motion was seconded by Director Mikel and approved by unanimous vote.

HEAR FROM THE PUBLIC

The Board noted that no one from the public was in attendance who wished to address the Board.

APPROVAL OF AUDIT

The President of the Board next recognized Mr. Sellars who reviewed a draft of the audit for the District's fiscal year ended September 30, 2001. Mr. Sellars noted that none of the District's accounts had a negative balance at the end of the fiscal year. Mr. Sellars stated that all District funds were invested in compliance with the terms and conditions of the District's Investment Policy. After further discussion and review of said audit, Director Curry moved approval of the audit as presented by Mr. Sellars for the fiscal year ended September 30, 2001. Director Verron seconded the motion which was approved by unanimous vote.

ENGAGEMENT LETTER

The Board next considered approving Hereford, Lynch, Sellars & Kirkham's engagement letter to prepare an audit of the District's financial records for the fiscal year ending September 30, 2002. Upon a motion made by Director Curry, seconded by Director Verron, the Board by unanimous vote approved hiring Hereford, Lynch, Sellars & Kirkham to prepare the September 30, 2002 audit.

BOOKKEEPER'S REPORT

The Board next received the Bookkeeper's report. Ms. Hargis reviewed with the Board the Bookkeeper's report, a copy of which is attached hereto as Exhibit "C". The District's Depository Pledge Reports with Bank of America and Wells Fargo Bank for the month of January are included in the Bookkeeper's report attached hereto. Ms. Hargis also reviewed the additional checks written after her written report was completed. Ms. Hargis

noted that the next debt service payment on the District's bonds totaling \$454,544 is due on March 1, 2002.

Following review of the Bookkeeper's reports and further discussion concerning District funds, a motion was made by Director Curry to approve the Bookkeeper's report. The motion was seconded by Director Verron and approved by unanimous vote. Director Verron then moved approval of payment of the checks listed in the Bookkeeper's report, including payment of the additional checks presented at the meeting which do not appear on the written report. The motion was seconded by Director Mikel and approved by unanimous vote.

Ms. Hargis next reviewed the District's Investment Reports for the fourth quarter of 2001. Ms. Hargis noted that the average interest rate paid on funds in the District's Operating Account was 2.02% and funds in the Tax Account earned an interest rate of 4.17%. Funds in the District's Debt Service and Construction Accounts earned interest at the rate of 2.2%. After further review of said Investment Reports, a motion was made by Director Verron and seconded by Director Curry to approve the Investment Reports for the fourth quarter of 2001. The motion carried by unanimous vote.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board next reviewed the Montgomery County Tax Assessor/Collector's report dated January 4, 2002 related to tax collections within the District during the month of December, 2001. The report shows that the tax office has collected 26% of the District's 2001 taxes through December 31, 2001. Ms. Hargis stated that no checks were written on the District's Tax Account during this reporting period.

After further discussion of tax related matters, a motion was made by Director Verron, seconded by Director Curry and approved by unanimous vote to approve the Tax Assessor/Collector's report. A copy of the Tax Assessor/Collector's report is attached hereto as Exhibit "D" and shall be considered a part of these minutes.

ENGINEER'S REPORT

Mr. Parker presented the report attached hereto as Exhibit "E" and reviewed the following items with the Board:

1. Plans for expanding the wastewater treatment plant should be finalized within forty-five (45) days.
2. Related to drainage channel improvements and site fencing, Mr. Parker anticipates bids will be received for the Board's action at the March, 2002 meeting.
3. Concerning the extension of a sewer line along Ambush Road, Mr. Parker stated that he is obtaining prices for materials and that Mr. Martin will begin the extension once the materials are available.
4. Mr. Parker next reviewed the status of inspecting manholes at certain Lift Stations that have experienced significant amounts of inflow and infiltration. Mr. Parker noted that he transmitted to Jones & Carter a request for video tapes, construction drawings and electronic file of the District's sanitary sewer lines. This information may help to identify what is causing the inflow and infiltration.
5. Mr. Parker next stated that he has had no response to his correspondence with property owners related to service inquiries of the North Park Lift Station.

6. Mr. Parker next informed the Board that he is in the process of preparing a revised metes and bounds description of the District to include the Hill/Martin properties. Mr. Parker stated that Ms. Hill has not responded to the Attorney's telephone calls requesting documentation that is required to complete the annexation of her property. Ms. Bate stated that she will attempt to reach Ms. Hill as well.

7. Mr. Parker next reported that he has responded to all the requirements set out by the TNRCC related to the District's application to update and expand its CCN.

8. Mr. Parker noted that a copy of his 5-year Capital Improvement and Repair Plan related to the District's Wastewater Treatment Plant and Lift Stations begins on page 60 of the meeting packet. Mr. Parker stated that once the expanded CCN is approved by the TNRCC, he will look at extending the Capital Improvement and Repair Plan to 10-years.

9. Mr. Parker next informed the Board that he requested from the Montgomery County Engineer copies of the right-of-way drawings for the FM 1314 widening project. As of tonight's meeting, Mr. Parker had not received the drawings.

10. Mr. Parker next informed the Board that there should be no problem in providing Mr. Townley's residence with sewer service because of the close proximity of a Lift Station but Mr. Townley will have to obtain an easement from an adjacent landowner. The Board took no action on this matter and requested that Mr. Parker relay this information concerning the required easement to Mr. Townley.

11. Mr. Parker next informed the Board that he received a request from Walgreens for 730 gallons per day of sewer capacity. The store will be located on the northeast corner of FM 1314 and Commerce Drive. Upon a motion made by Director Curry,