

MINUTES OF MEETING OF BOARD OF DIRECTORS

November 14, 2006

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 162

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 162 (the "District") met in regular session, open to the public, at 1301 McKinney, Houston, Texas, on November 14, 2006, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Jerry Folmar, President
John Parrish, Vice President
Penny Johnson, Secretary
Steve Rickelman, Assistant Secretary
Emmanuel DePau, Treasurer

All of the members of the Board were present, except Director Johnson. Also attending all or parts of the meeting were Ms. Brenda McLaughlin of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Steve Webb of H2O Consulting ("H2O"), operator of the District's facilities; Ms. Erin Garcia of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Charles Eastland of TCB, Inc. ("TCB"), engineer for the District; Mr. David Merritt of David L. Merritt, P.C., auditor for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorney for the District.

The President called the meeting to order in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," and the following business was transacted:

1. **Receive public comments.** There were no comments from the public.
2. **Minutes.** Consideration was given to the approval of the minutes of the meeting of October 10, 2006, a copy of which were previously distributed to the Board. The Board noted that Director DePau should be shown as the Treasurer and Director Rickelman should be shown as the Assistant Secretary in the first paragraph of such minutes. Upon motion by Director Parrish, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted three in favor, Director Parrish abstaining, to approve the minutes of the meeting of October 10, 2006, as corrected.
3. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** The President recognized Ms. McLaughlin, who presented to and reviewed with the Board the Tax Assessor and Collector's Report and a list of delinquent tax payers, a copy of which is attached hereto as Exhibit "B." Ms. McLaughlin noted that the Copperfield Athletic Corp. has paid their delinquent taxes. Upon motion by Director Parrish, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted

unanimously to accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1227 through 1230 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Approve audit for fiscal year ended July 31, 2006.** Mr. Merritt presented to and reviewed with the Board the audit report for fiscal year ended July 31, 2006, a copy of which is attached hereto as Exhibit "C." Discussion ensued. The Board agreed to submit any questions or comments to Mr. Merritt by December 1, 2006. Upon motion by Director Parrish, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit, subject to any corrections received from the Board and the consultants.

5. **Operations Report.** The President recognized Mr. Webb, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D." Mr. Webb reported that the District pumped 5,773,000 gallons of water and purchased 9,827,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 96.8% of the water pumped in the District during the last period.

Mr. Webb reported that the District has 36,280,000 gallons and one month remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Webb reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report.

Mr. Webb reported that the treatment to the well for iron bacteria is complete and the results from the water samples indicate that the treatment worked. Mr. Webb added that another lab test will be performed after a month of operations.

Mr. Webb noted that booster pump motor no. 4 has been replaced and is operational and that the insurance claim has been filed.

Mr. Webb stated that the bleach fill line was relocated from the rear of the building to just inside the chlorine room door.

Mr. Webb stated that tapline leaks at 15634 Meadow Village, 15502 Swan Creek, and 15431 Glenwood Park have been repaired.

Mr. Webb reported that an exploratory excavation was performed on the sewer line at 15307 Swan Creek to determine the cause of a sinkhole at that location. Mr. Webb added that the excavation revealed that Time Warner had bored through the customer's line above the main. Mr. Webb said that H2O met with Time Warner and notified them they would be charged for the repair.

Mr. Webb noted that H2O responded to a manhole overflowing in Northmead Village, cleared to stoppage and filed all the reports. Mr. Webb added that due to the amount of grease, H2O returned the next day and cleaned the line. The Board asked Mr. Webb to see if he can determine the source of the grease and/or the reason for the grease build-up.

6. **Review Bookkeeper's Report and authorize payment of bills; Approve Investment Report.** The President recognized Ms. Garcia, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "E." Extensive discussion ensued regarding the budget. Upon motion by Director DePau, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of check nos. 2083 through 2109 from the Operating Account, each in the amounts, to the persons, and for the purposes described in the Bookkeeper's Report, and to approve the Investment Report.

7. **Engineer's Report.** The President recognized Mr. Eastland, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "F."

Mr. Eastland noted that TCB is continuing to coordinate with R & B Group to finalize their contract. Mr. Eastland added that TCB received the O&M manuals on November 8, 2006, and is currently reviewing them. He noted that TCB has not received a final invoice or the as-built drawings and will continue to coordinate with R & B Group to finalize this project.

Mr. Eastland stated that at last month's meeting, it was requested that the reimbursement submittal be submitted to WHCRWA with an explanation regarding finalizing the contract with R & B Group by December. He added that TCB will prepare the draft submittal for the Board to review at the December meeting.

Mr. Eastland stated that TCB has attached to the Engineer's Report Progress Payment No. 14 in the amount of \$0.00, as submitted by R & B Group for work completed to date.

Mr. Eastland stated that TCB received a letter from Mr. Ahrens after last month's Board meeting stating that WHCRWA approved a six month extension for the District to submit for reimbursement, a copy of which letter is attached to the Engineer's Report.

Mr. Eastland stated that TCB has prepared a scope of work for the Board to review and approve for the development of a Water Conservation Plan, which is a requirement for surface water conversion. He noted that the scope of work is attached to the Engineer's Report. Upon motion by Director DePau, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to authorize TCB to develop a Water Conservation Plan.

Mr. Eastland stated that TCB will continue to coordinate with WHCRWA to receive the shape file of the WHCRWA lines when it is complete to incorporate into the Copperfield GIS mapping system.

Mr. Eastland stated that as requested at the CJOB meeting on October 4, 2006, TCB is holding any further design work on the Reclaimed Water System until notified to proceed.

8. **Discuss and take action to implement reclaimed water system.** This item was discussed in the Engineer's Report.

9. **Discuss and take action to finalize contract with R&B Group.** This item was discussed in the Engineer's Report.

10. **Continue Discussion of Ethics Policy and Director Expense Reimbursement Policy.** The Board agreed not to take any action until all Board members were present.

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 _____.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(District Seal)