

MINUTES OF MEETING OF BOARD OF DIRECTORS

August 8, 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 August 8, 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
Dan Bonner, Treasurer
Emmanuel DePau, Director

All of the members of the Board were present except Directors Bonner and DePau. Also attending all or parts of the meeting were Ms. Patty Rodriguez of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator of the District's facilities; Ms. Erin Garcia of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Bobby Adams of Turner Collie & Braden, Inc. ("TC&B"), engineers for the District; and Ms. Jana Cogburn and Ms. Shailaja Singh 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 meetings of June 16, 2006 and July 11, 2006, copies of which were previously distributed to the Board.

Upon motion by Director Parrish, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meetings of June 16, 2006 and July 11, 2006, as presented.

3. **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 "B." Upon motion by Director Johnson, seconded by Director Parrish, 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. 2011 through 2040 (excepting check

no. 2024) 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.

4. **Review Report by Tax Assessor and Collector and authorize payment of certain bills.** The President recognized Ms. Rodriguez, 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 "C." Ms. Rodriguez reported that the District has collected 96.907% of its 2005 taxes.

Upon motion by Director Johnson, seconded by Director Parrish, 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. 1212 through 1217 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

5. **Operations Report.** The President recognized Mr. Hoffman, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "D" Mr. Hoffman reported that the District pumped 5,957,000 gallons of water and purchased 7,237,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 95.0% of the water pumped in the District during the last period.

Mr. Hoffman reported that the District has 55,262,000 gallons and four months remaining on its Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman updated the Board on the builder damages and noted that Omega Pools and Spas recently damaged a water line putting in a pool at 8106 Town Creek and that neither the pool company nor the homeowner has paid the invoice for the damages. The Board directed Mr. Hoffman to send the homeowner a letter notifying them that they are responsible for the damages.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the right angle drive on the booster pump was repaired and reinstalled and that the final cost was \$3,425.94.

Mr. Hoffman reported the well was treated to address the iron bacteria issue and tested both before and after the treatment. Mr. Hoffman noted that the treatment did not resolve the issue and that additional tests need to be done as recommended by Water Systems Engineering, Inc., a copy of which recommendation is attached hereto as Exhibit "E." Discussion ensued. The Board directed Mr. Hoffman to proceed with the recommendations of Water Systems Engineering, Inc.

Mr. Hoffman reported that the TCEQ performed the annual water plant inspection on June 28, 2006 and that H2O is waiting on the final TCEQ letter.

Mr. Hoffman noted that booster pump motor no. 4 was pulled and inspected and H2O has ordered a new motor at an estimated cost of \$5,000.00.

Mr. Hoffman stated that one water line repair was completed last month.

Mr. Hoffman reported that H2O repaired the sewer line outside the sidewalk at 7622 Rivergarden at a final cost of \$5,767.38.

6. **Review Investment Policy.** Ms. Cogburn reviewed with the Board the District's Investment Policy, a copy of which is attached hereto as Exhibit "F" and noted that there are no recommended changes at this time. Upon motion by Director Johnson, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously not to make any changes to its investment policy.

7. **Accept Related Party Disclosures.** The Board noted that Ms. Garcia had provided a memo disclosing her relationships as required by the Public Funds Investment Act.

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

Mr. Adams reported that R&B Group has significantly completed construction operations on the surface water conversion project at the water plant. Mr. Adams noted that Progress Payment No. 11, in the amount of \$1,800.00, as submitted by R&B Group for work completed to date, is attached to the Engineer's Report. Mr. Adams also noted that R&B Group has requested payment for Progress Payment no. 7 for April. Extensive discussion ensued regarding payment to R&B Group and finalizing the contract. Upon motion by Director Parrish, seconded by Director Johnson, after full discussion and the questing being put to the Board, the Board voted unanimously to approve Progress Payment Nos. 7 and 11.

Mr. Adams noted that TC&B is gathering information and preparing the submittal to WHCRWA for reimbursements.

9. **Reclaimed Water System.** Mr. Adams reported that TC&B has evaluated the use of reclaimed water in conjunction with other districts for presentation to the WHCRWA to illustrate potential credits available to delay required implementations of mandated surface water conversion for 2020 and that the results were reviewed at CJOB's meeting last week. Mr. Adams also reviewed the discussion at the meeting held at TC&B's offices July 24, 2006.

10. **Discuss Copperfield Joint Operations Board ("CJOB") meeting.** Director Folmar updated the Board on the most recent meeting.

THERE BEING NO FURTHER BUSINESS to come before the Board, the meeting was adjourned.

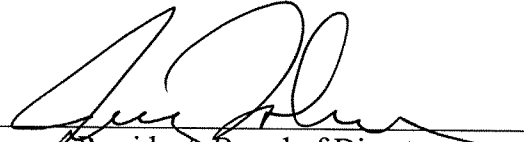
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The foregoing minutes were passed and approved by the Board of Directors on

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President, Board of Directors

ATTEST:



Secretary, Board of Directors

(District Seal)