

MINUTES OF MEETING OF BOARD OF DIRECTORS
April 10, 2007

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 April 10, 2007, 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 Parrish. 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. Charles Eastland of TCB, Inc. ("TCB"), engineer for the District; and Ms. Jana Cogburn and Ms. Nancy Green of Fulbright & Jaworski L.L.P. ("F&J"), attorneys 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 March 13, 2007, a copy of which was previously distributed to the Board. Ms. Rodriguez requested that "property on Highway 6 #2" be changed to "property for McDonald Highway 6 #2, LTD" in the second paragraph of the Tax Assessor's Report. Upon motion by Director Johnson, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of March 13, 2007, as revised.
3. **Review Tax Assessor and Collector's Report 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, copies of which are attached hereto as Exhibit "B." Ms. Rodriguez reported that the District refunded \$7,156.65 in property taxes to McDonald Highway 6 #2, LTD because the Harris County Appraisal District lowered the appraised value of the property.

Upon motion by Director Johnson, seconded by Director DePau, 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. 1249 through 1253 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Authorize additional 20% penalty and interest remaining delinquent on July 1, 2007.** Ms. Cogburn noted that the District has an ongoing contract with Perdue, Brandon, Fielder, Collins & Mott ("PBFCM") for the collection of delinquent taxes. Upon motion by Director Rickelmann, seconded by Director DePau, after full discussion and the question being put to the Board, the Board voted unanimously to authorize PBFCM to pursue collection of delinquent 2006 taxes and to impose an additional penalty on taxes, penalty and interest remaining delinquent on July 1, 2007.

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 "C." Mr. Hoffman reported that the District pumped 6,846,000 gallons of water and purchased 7,546,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 97.1% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 163,143,000 gallons and eight months remaining on its 2007 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the starter on the well engine has failed and H2O is in the process of replacing it.

Mr. Hoffman reported that H2O is continuing to replace residential meters as the usage exceeds 2.0 MG. Mr. Hoffman stated that since Sensus meters are no longer available, H2O will replace the old meters with Neptune meters.

Mr. Hoffman reported on the manhole repairs and noted that H2O repaired a manhole after a cable line was removed at 7611 Woodcroft. Mr. Hoffman stated that H2O is waiting on Time Warner to relocate a cable at 15414 Sterling Lake. Mr. Hoffman noted that Time Warner damaged a customer's sewer line near the District's manhole at 7715 Oakwood Lakes and that in order for the plumber to repair the line, the plumber had to relocate the tap into the manhole. Mr. Hoffman stated that the District is scheduled to reseal the manhole at this location.

Mr. Hoffman reported that H2O performed tetrachloroethene ("perc") testing on the Village Cleaners on Highway 6 and that no violations were discovered.

Mr. Hoffman reported that the Water Smart application was submitted to the Associated Water Board Directors ("AWBD") for consideration at the AWBD conference this summer.

Mr. Hoffman reported that the wholesale water quality information has been provided to Harris County Municipal Utility District No. 186 (“No. 186”), Harris County Municipal Utility District No. 208 (“No. 208”) and Harris County Municipal Utility District No. 163 (“No. 163”), as required by the TCEQ. Mr. Hoffman noted that the TCEQ requires a certificate be provided documenting that the information has been sent.

6. **Review Bookkeeper’s Report and authorize payment of bills.** 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 “D.” Ms. Garcia reviewed the Operating Budget for Fiscal Year Ending July 31, 2007, a copy of which is attached to the Bookkeeper’s Report. Ms. Garcia reported that the water revenues on the budget have been reduced because the District is no longer serving the 80 houses in No. 186. Upon motion by Director Johnson, seconded by Director DePau, 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. 2209 through 2232 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 “E.” Mr. Eastland reported on the West Harris County Regional Water Authority (“WHCRWA”) reimbursement of surface water conversion construction items and noted that TCB included an item for replacing the door and door jam on the ammonia storage room at a cost of \$3,277.38. Mr. Eastland stated that WHCRWA questioned the expense of these items and TCB’s request for reimbursement. Mr. Eastland reported that the door and door jam for the storage room were replaced in order to convert the room to a chemical room. Mr. Eastland noted that while a fiberglass door was not specified on the plans, a fiberglass door provides greater resistance to chemical corrosion. Mr. Eastland stated that if the Board agrees that the door and door jam should be considered for reimbursement, TCB will update the draft letter requesting reimbursement of construction items and will elaborate on the reasons for the door replacement. Otherwise, Mr. Eastland stated, TCB will remove this item from the request. It was the consensus of the Board that the door and door jam be included on the reimbursement request to WHCRWA for surface water conversion construction items.

Mr. Eastland reported that as directed at the joint special meeting involving the Copperfield municipal utility districts and Skipper Rush on April 5, 2007, TCB is preparing a breakdown of the engineering cost for each district into subcategories for design, construction, supervision, air gap, and manual vs. automatic controls.

Mr. Eastland reported that TCB emailed Mr. Ahrens on April 9, 2007 to determine if the WHCRWA Board released their shape file for the Copperfield area for inclusion in the Copperfield GIS map at the last WHCRWA Board meeting, but that TCB has not yet received a response.

Mr. Eastland reported that TCB has received a set of plans for preliminary review for a Service King auto repair shop being developed at the northern boundary of the wastewater treatment plant. In addition to the plans, Mr. Eastland reported that TCB received a letter

requesting that the District provide water and sanitary sewer service for Service King, a copy of which is attached to the Engineer's Report. Mr. Eastland stated that Mr. Sarman is reviewing the plans in detail. Ms. Cogburn noted that the District has previously served this property as an out of District customer and suggested that TCB request a retainer to cover the costs of the plan review. The Board concurred.

8. **Discuss Reclaimed Water System.** Ms. Cogburn updated the Board on Terrie Sechrist's review of the Reclaimed Water System Agreement on behalf of No. 163.

9. **Discuss Copperfield Joint Operations Board "CJOB" meeting.** Director Folmar reported that CJOB signed a three year contract with Legacy Energy Solutions for the aggregation of electrical purchases and also authorized Legacy to perform an audit of the past two years of electrical charges and to recover any overcharges. Upon motion by Director Johnson, seconded by Director Rickelman, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the Renewal and Extension of Agreement for Aggregation of Electrical Purchases, a copy of which is attached hereto as Exhibit "F."

Director Folmar reported that he has resigned as the secretary of CJOB because he will be working in India for the next six months.

10. **Executive session pursuant to Section 551.071 of the Texas Government Code, as amended to discuss and take action to finalize the contract with the R&B Group.** There was no action taken.

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

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President, Board of Directors

ATTEST:

Secretary, Board of Directors