

MINUTES OF MEETING OF BOARD OF DIRECTORS
March 11, 2008

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 March 11, 2008, 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. 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; Mr. Terry Holland of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Tony Sarman of TCB, Inc. ("TCB"), engineers 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. **Minutes.** Consideration was given to the approval of the minutes of the meeting of February 12, 2008, a copy of which was previously distributed to the Board. 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 approve the minutes of the meeting of February 12, 2008, as presented.

2. **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 taxpayers, copies of which are attached hereto as Exhibit "B." Ms. Rodriguez reported that the District has collected 94% of its 2007 taxes.

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. 1296 through 1299 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **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 5,451,000 gallons of water and purchased 4,970,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 94.8% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 152,670,000 gallons and nine months remaining on its 2008 Harris-Galveston Coastal Subsidence District Permit.

Mr. Hoffman stated that the District invoiced \$10,842.85 to Harris County Municipal Utility District No. 188 ("No. 188") for water used through the interconnect in February.

Mr. Hoffman reported that Time Warner denied the \$4,417.88 and \$1,358.72 builder damages claim and would be responding to the District by letter.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that the four cameras to improve security at the water plant have been ordered and should be installed in the near future.

Mr. Hoffman stated that the TCEQ collected a sample from the well for radionuclide testing in February. Mr. Hoffman stated that once the results are obtained, H2O can evaluate adjusting the blend ratio.

Mr. Hoffman reported that the annual ground storage tank inspections are complete and that no problems were noted in the report.

Mr. Hoffman reported that repairs to four commercial meters are scheduled.

Mr. Hoffman reported on sewer line maintenance and noted that the manhole repairs at Logenbaugh and Brook Springs and at Willow River and Town Creek have been scheduled.

Mr. Hoffman reported that H2O filed the annual report with HGCSO.

4. **Review Bookkeeper's Report and authorize payment of bills.** The President recognized Mr. Holland, who presented to and reviewed with the Board the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "D."

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. 2469 through 2489 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.

5. **Discuss arbitrage compliance and engage consultant.** Ms. Cogburn reviewed with the Board the arbitrage engagement letter from Arbitrage Compliance Specialists

(“ACS”), a copy of which is attached hereto as Exhibit “E.” Ms. Cogburn reported that ACS has developed a program to evaluate a district’s compliance with the project fund yield restriction requirements, debt service restriction requirements and arbitrage rebate requirements of the Department of the U.S. Treasury, Internal Revenue Service (“IRS”). Ms. Cogburn recommended that the District engage ACS to evaluate these requirements for their series 2003 bonds. 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 engage ACS to evaluate the District’s compliance with project fund yield restriction requirements, debt service restriction requirements and arbitrage rebate requirements of the Department of U.S. Treasury, IRS.

6. **Engineer’s Report.** The President recognized Mr. Sarman, who presented to and reviewed with the Board the Engineer’s Report, a copy of which is attached hereto as Exhibit “F.”

Mr. Sarman reported on the GIS map updates and stated that TCB is coordinating with H2O for their review of the updates and will address their comments upon receipt.

Mr. Sarman reported on the estimates for the asbestos cement pipe repairs. Mr. Sarman stated that TCB has resubmitted the information to Insituform through a new representative of the company and anticipates a response within the month. Mr. Sarman stated that if TCB does not receive information from Insituform in the next few weeks, TCB will prepare a cost estimate for the project based on other construction project data.

7. **Discuss Reclaimed Water System (“RWS”).** Mr. Sarman reported that TCB has begun to update the costs for consideration of a stand alone RWS. Mr. Sarman noted that TCB is currently waiting on data from the manufacturers to finalize the cost for the plant upgrades. In addition, Mr. Sarman stated that TCB will also look into the approximate amount of land that will be needed for the additional treatment units as requested by Director Folmar.

8. **Discuss CJOB meeting.** Director Folmar reported that Harris County Municipal Utility District Nos. 208 and 186 have decided not to participate in the RWS project. Director Folmar stated that No. 188 would like to meet with the District prior to the next CJOB meeting and discuss a joint RWS project between No. 188 and the District. Director Folmar requested that Mr. Sarman contact the participants and schedule the meeting.

Director Folmar reported that CJOB signed an electrical agreement with Legacy and authorized the repair of blowers.

Upon motion by Director Rickelman seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to adjourn the 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