

MINUTES OF MEETING OF BOARD OF DIRECTORS  
July 8, 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 July 8, 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 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; Mr. Michael Odell; resident of the District; and Ms. Jana Cogburn and Ms. Mirna Jakupovic 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 June 10, 2008, a copy of which was 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 meeting of June 10, 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 97.47% of its 2007 taxes. Upon motion by Director De Pau, seconded by Director Johnson, 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. 1312 through 1317 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 11,083,000 gallons of water and purchased 5,666,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 91.8% of the water pumped and purchased by the District during the last period.

Mr. Hoffman reported that the District has 100,875,000 gallons and five months remaining on its 2008 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 chlorine storage unit has developed a leak and that the tank is 10 years old. Mr. Hoffman provided the Board with three estimates for the tank replacement, copies of which are attached to the Operations Report. Mr. Hoffman recommended Option "C" because the tank is easier to repair. Discussion ensued. 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 authorize H2O to select the tank replacement at a cost not to exceed \$2,060.

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."

Mr. Holland reviewed with the Board the Texas State Bank Notification of Transfer of Safekeeping Custodian, a copy of which is attached hereto as Exhibit "E." Discussion ensued.

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. 2563 through 2586 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. **Consider and approve amendment to the Bookkeeper's contract.** The Board reviewed the Bookkeeper's contract amendments. Discussion ensued. Upon motion by Director Johnson, seconded by Director Folmar, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the amendment to the Bookkeeper's contract.

6. **Approve budget for the fiscal year ending July 31, 2008.** Mr. Holland presented to the Board the draft budget for the fiscal year ending July 31, 2008, a copy of which is attached hereto as Exhibit "E." The Board noted that the budget was reviewed and revised in the special meeting July 2, 2008. Upon motion by Director Johnson, seconded by Director Folmar, after full discussion and the question being put to the Board, the Board voted unanimously to approve the budget for the fiscal year ending July 31, 2008, as revised.

7. **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 asbestos cement pipe repairs and reviewed with the Board three estimates for replacing the water line, copies of which are attached to the Engineer's Report. Mr. Sarman stated that RL Utilities' estimated cost for the project is \$48,340 and their estimate includes abandonment of the existing water line. Mr. Sarman reported that EvenFlow Services' estimated cost for the project is \$83,400 and B5 Construction's estimated cost for the project is \$96,000. Discussion ensued regarding permit requirements for the project. Mr. Sarman stated that he would verify permit requirements. Upon motion by Director Folmar, seconded by Director Parrish, after full discussion and the question being put to the Board, the Board voted unanimously to approve the RL Utilities proposal and to authorize Mr. Sarman to notify the Board if extra fees are required so that an addendum can be added to the contract, if necessary, to cover such fees.

8. **Discuss Reclaimed Water System ("RWS").** Mr. Sarman reported that TCB has updated the cost estimates on the RWS for the Board's review. Mr. Sarman stated that the wastewater plant modifications have been reduced by providing chlorine contact time in the ground storage tanks. Mr. Sarman noted that estimates serving eight and seven connections were included in the estimate to service the meters close to Highway 6.

9. **Discuss CJOB meeting.** Director Parrish reported that no new matters were discussed at the meeting.

10. **Accept resignation of Director Folmar.** 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 resignation of Director Folmar.

11. **Appoint and qualify new director.** The Board recognized Michael Odell, who reviewed with the Board his background and qualifications for the director position. Ms. Cogburn reviewed with Mr. Odell the Oath of Office and the Statement of Elected Officer. 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 qualifications of Mr. Odell.

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:

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Secretary, Board of Directors