

MINUTES OF MEETING OF BOARD OF DIRECTORS
February 9, 2010

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 February 9, 2010, at 4:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

John Parrish, President
Emmanuel DePau, Vice President
Penny Johnson, Secretary
Steve Rickelman, Treasurer
Mike Odell, Assistant Secretary

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. ("MCI"), bookkeeper for the District; Ms. Amy Zapletal of Brown & Gay Engineers, Inc. ("BGE"), 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 regular meeting of January 12, 2010, copies of which were 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 regular meeting of January 12, 2010, as presented.

2. **Review Tax Assessor and Collector's Report and authorize payment of certain bills.** Ms. Rodriguez 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 93.54% of its 2009 taxes. Ms. Rodriguez stated that as requested by Director Odell, she sent the vehicle identification numbers for the trailer trucks owned by Two-Way Express to the Harris County Appraisal District.

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 accept the Tax Assessor and Collector's Report and to authorize payment of check nos. 1387 through 1390 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Review Bookkeeper's Report and authorize payment of bills.** Mr. Holland presented to and reviewed with the Board the Bookkeeper's Report, the Investment Report, the Operating Budget for the Fiscal Year Ending July 31, 2010 Comparison as of February 9, 2010, the Cash Flow Comparison and the Energy Usage Report, copies of which are attached hereto as Exhibit "C." In response to a question from Director Odell, Mr. Holland reported that he would ladder the certificates of deposits ("CDs") so that renewal due dates were staggered and would email the Board the information on the renewed CDs. 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. 3076 through 3097 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. **Operations Report.** Mr. Hoffman 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 3,739,000 gallons of water and purchased 4,744,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that H2O accounted for 90.3% of the water pumped and purchased by the District during the last period. Mr. Hoffman reported that the District has 163,837,000 gallons and 10 months remaining on its Harris-Galveston Coastal Subsidence District ("HGCSA") Permit.

Mr. Hoffman reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported on water plant maintenance and noted that the hydrotank sensor line that monitors the pressure in hydrotank #1 failed inside the conduit. Mr. Hoffman stated that a new conduit is being installed to prevent a recurrence at an estimated cost of \$3,000. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve replacement of the sensor line at an estimated cost of \$3,000.

Mr. Hoffman reported that H2O submitted Time Warner's builder damages \$4,417.88 to M.E. Duff for collection.

Mr. Hoffman requested the Board's approval to insert a water conservation brochure from the WHCRWA into the District's water bills. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve inserting a brochure into the District's water bill.

Mr. Hoffman requested that the Board approve the contract with Official Payments for on-line water bill payments. Mr. Hoffman reported that the customer would pay the fee to use the credit card payment option. Upon motion by Director Johnson, seconded by Director Odell, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Official Payments on-line payment option for District customers.

5. **Engineer's Report.** The President recognized Ms. Zapletal, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "E."

Ms. Zapletal reported on the transition of the GIS website and noted that BGE restored the "missing" information from the temporary GIS website established for the operator's

review. Ms. Zapletal noted that the website access information was sent to H2O today. Ms. Zapletal stated that the GIS can be reviewed and accessed for information at H2O's convenience.

Ms. Zapletal reported that BGE received a sketch of the proposed plumbing for a business at 8475 Highway 6 North, Suite C, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that BGE is coordinating with H2O to respond with requirements for additional information to be provided by the owner, Mr. Chris Clark. Ms. Zapletal noted that BGE usually requires professionally-drawn plumbing plans and detail sheets for lease space build-outs. The Board agreed that a more complete plan needs to be presented to the Board.

Ms. Zapletal reported that no new activities have occurred on the construction plan review for the proposed Carl's, Jr. Restaurant. Ms. Zapletal stated that the utility service availability letter was approved on September 9, 2009. Ms. Zapletal stated that Interplan will notify BGE when the project moves forward.

Ms. Zapletal reported on the water plant tank coatings of the ground storage tanks (GSTs) and hydropneumatic tanks (HPTs). Ms. Zapletal reported that Utility Service Company, Inc. submitted the lowest total bid in the amount of \$222,900. Ms. Zapletal reported that the Notice of Award was issued for the base bid items and the supplemental items for additional facility coatings, painting, and mastic replacement. Ms. Zapletal stated that the contractor's bonds and insurance were received late last week and were forwarded to F&J for review and approval.

Ms. Zapletal reported that Preventive Services, LP provided the proposal for tank coating inspection services in an estimated amount of \$9,401.63, a copy of which is attached to the Engineer's Report. Ms. Zapletal stated that fees and mileage will be invoiced based on actual expenses incurred during construction.

Ms. Zapletal reported that the preconstruction meeting with the water plant tank coating contractor is scheduled for 10:00 a.m. on Wednesday, February 10, 2010. Ms. Zapletal reported that the color selection charts were mailed to the Directors for consideration prior to today's meeting. The Board reviewed the color chart. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Preventative Services, LP proposal for coating inspection services at an estimated cost of \$9,401.63 and to approve the paint color "deaf blue" for the water plant tank coatings.

Ms. Zapletal reported on the surplus funds notification letter to the Texas Commission on Environmental Quality ("TCEQ"), a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that the letter outlines the use of funds for the District's engineering and construction costs associated with the water plant improvements project to serve the District's water supply system pursuant to 30 T.A.C. §293.83(c)(3)(A). Ms. Zapletal reported that the amount of the notification letter (\$254,405) includes the entire construction contract amount, estimated engineering and inspection costs, and estimated reimbursable expenses. Ms. Zapletal stated that for each fiscal year that expenses are incurred, actual surplus funds expenditures will be outlined in the District's annual audit report in compliance with TCEQ regulations. Ms. Zapletal reported that on a monthly basis, BGE will provide a table of non-audited expense information to facilitate the audit and bookkeeping process. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being

put to the Board, the Board voted unanimously to authorize BGE to submit the surplus funds notification letter to the TCEQ and to authorize MCI to provide BGE a statement of surplus funds.

Ms. Zapletal reported on the following emergency power generator and auxiliary drive engine options and cost estimates. Ms. Zapletal reported that subsequent to receipt of the electrical engineer's summary of the site review, emergency power service options were outlined and cost estimates have been prepared for the following:

- (a) Rental and permanent installation options
- (b) New and used equipment costs for generator sized same as the current rental (including review of need to purchase emissions credits for used equipment).
- (c) Auxiliary drive engine options for water well and booster pump. The TCEQ confirmed that replacement drive engines will be allowed under the rules for the EPPs.

Ms. Zapletal reported that last month, the Board reviewed Brymcon's written summary of the review of facilities and recommendations for electrical improvements based on the conversations among all the parties present at the site in December. Ms. Zapletal reported that as anticipated, comments and recommendations include consideration of improvements to the electrical controls and wiring. Ms. Zapletal reported that the electrician noted increasing difficulties over recent years in obtaining repair or replacements parts for the existing components.

Ms. Zapletal reported that BGE has updated the Summary of Capital Projects to facilitate the discussion of technical and financial data, a copy of which is attached to the Engineer's Report. Ms. Zapletal reported that last week, BGE was notified of the availability of a used 500 kw diesel generator en route to Houston. Ms. Zapletal reported that the generator was ordered for a project that was then cancelled and therefore, the generator is considered used by the manufacturer (even though it has not been placed into operation). Ms. Zapletal reported that BGE received two proposals from Worldwide Power Products (WPP), which are attached to the Engineer's Report - one proposal for purchase prior to arrival in Houston (\$85,000) and one proposal for purchase subsequent to delivery to Houston (\$95,000). Ms. Zapletal reported that the generator could be purchased and held by WPP until the District's electrical drawings are approved and the foundation is constructed. Should the District choose to purchase this generator, Ms. Zapletal stated that BGE would coordinate with a manufacturer's representative to ensure proper startup upon delivery. Extensive discussion ensued. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Director Odell to act on behalf of the Board to approve the purchase of the WPP generator prior to its arrival in Houston at a fixed cost of \$85,000 (subject to confirmation by Director Odell of contract specifics) and confirmation by BGE that the District could obtain a warranty on the equipment and set-up delivery of the generator subject to the manufacturing representative being involved in the startup training and the electrical engineer's review of the generator's performance specifications.

6. Adopt Emergency Preparedness Plan and approve filing with the TCEQ. Ms. Zapletal reported on the Emergency Preparedness Plan ("EPP") Regulations and noted that BGE has been provided operational and contact personnel data by H2O. Ms. Zapletal reported that comments from F&J have been incorporated into the EPP. Ms. Zapletal stated that

hard copies are being provided to the Board today for review. Ms. Zapletal requested the Board's approval of the EPP, subject to addressing any comments received at the meeting. Ms. Zapletal reported that BGE will submit the EPP in advance of the March 1, 2010 deadline. Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to approve the EPP and filing with the TCEQ.

7. **Review District Website.** No action was taken.

8. **Discuss Copperfield Joint Operations Board meeting.** Director Parrish reported that CJOB purchased a 350 kw generator and a 46 kw portable generator. Director Parrish reported that CJOB has deferred purchasing fuel tanks until further discussion.

9. **Adopt Order Calling Directors Election.** Upon motion by Director DePau, seconded by Director Johnson, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "F."

10. **Approve Notice of Deadline to File Applications for Place on the Ballot.** 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 approve the Notice of Deadline to File Applications for a Place on the Ballot, a copy of which is attached hereto as Exhibit "G."

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

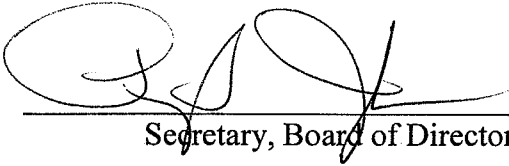
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The foregoing minutes were passed and approved by the Board of Directors on March 9, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors