

MINUTES OF MEETING OF BOARD OF DIRECTORS
July 18, 2006

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 186

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 186 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Suite 5100, Houston, Texas, at 12:00 p.m. on July 18, 2006; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President
Mark Day, Vice President
Jaquelyn Champagne, Secretary
Carol Barnes, Assistant Secretary
Leonard Fojt, Treasurer

All members of the Board were present except Director Champagne. Also attending all or parts of the meeting were Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Charles Eastland of Turner Collie & Braden, Inc. ("TC&B"), engineer for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator for the District; Ms. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; Mr. Charles Bumpass, a resident of the District; and Ms. Jana Cogburn and Ms. Shailaja Singh of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order and, in accordance with notice posted pursuant to law, copies of Certificates of Posting of which are attached hereto as Exhibit "A," the following business was transacted:

1. **Minutes.** Consideration was given to the approval of the minutes of the meeting of June 20, 2006, previously distributed to the Board. Upon motion by Director Fojt, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board unanimously (Director Day abstaining) to approve the minutes of the meeting of June 20, 2006, as presented.

2. **Accept Resignation of Director Champagne.** The Board noted that Director Champagne will be moving out of the District and has submitted her resignation. Upon motion by Director Fojt, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted (with regret) to accept the resignation of Director Champagne.

3. **Appoint and Accept Qualifications of New Director.** Mr. Bumpass expressed his interest in serving on the Board. Upon motion by Director Day, seconded by Director Fojt, after full discussion and the question being put to the Board, the Board voted unanimously to appoint and accept the qualifications of Mr. Bumpass as a member of the Board.

4. **Tax Assessor and Collector's Report.** Ms. Guerrero presented to and reviewed with the Board the Tax Assessor and Collector's Report, a copy of which is attached hereto as Exhibit "B." Ms. Guerrero reported that as of June 30, 2006, the District had collected 97.431% of its 2005 taxes. Upon motion by Director Barnes, seconded by Director Fojt, 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 checks nos. 1253 through 1256 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.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "C." Mr. Hoffman reported that H2O accounted for 99.9% of the water pumped in the District in June.

Mr. Hoffman reported that the District pumped 20,432,000 gallons of water during the last period. Mr. Hoffman noted that the District has 73,784,000 gallons and five months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman stated that he will monitor water usage and request a permit amendment, if necessary.

Mr. Hoffman presented to and reviewed with the Board the Maintenance Summary, a copy of which is attached to the Operations Report. Mr. Hoffman reported that booster pump no. 4 should be installed this week.

Mr. Hoffman reported that he noticed that the bearing on booster pump no. 3 is beginning to go out. Mr. Hoffman reported that he has taken the pump out of service, but he will not have it pulled until pump no. 4 is installed.

Mr. Hoffman reported that the wall in chlorine room is beginning to deteriorate and recommended sealing the wall. Mr. Hoffman stated that he is in the process of obtaining two additional bids and/or alternate solutions to coat the walls.

Mr. Hoffman reported that the alarm system needs to be modified due to the WHCRWA construction as soon as the WHCRWA construction is complete. Mr. Hoffman reported that he met with Troy Anthony, a representative of the WHCRWA, to discuss this issue and that Mr. Anthony would like for the modification to be completed by the District and included in the District's reimbursement request.

Mr. Hoffman reported that the sealing of the top of the wet well at the lift station is complete.

Mr. Hoffman reported that the cleaning and televising for the phase ten sanitary sewer line cleaning and televising is complete. Mr. Hoffman reported that he is waiting on TC&B's report to schedule the repairs.

Mr. Hoffman updated the Board on the status of the priority two sanitary sewer line repairs remaining in phases six and seven.

6. **Bookkeeper's Report; and Approve Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report

and monthly Investment Report, copies of which are attached hereto as Exhibit "D." Upon motion by Director Day, seconded by Director Fojt, 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. 5392 through 5418 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 monthly Investment Report.

7. **Accept related party disclosures.** The Board deferred action on this item.

8. **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 that TC&B has reviewed the plans submitted by Dev-Tex Engineering for Ridge Park Business Center and provided a preliminary review letter and marked-up plans.

Mr. Eastland reported that TC&B has reviewed the DVDs from the phase 10 sanitary sewer line video inspection to identify future repairs and that preliminary cost estimates are attached to the Engineer's Report. Mr. Eastland noted that he has requested additional information from H2O relating to three repairs. Mr. Eastland reported that the sanitary sewer repair plans are being prepared and will be submitted to Mr. Hoffman as soon as they are complete.

Mr. Eastland updated the Board on the District's conversion to surface water. Mr. Eastland reported that R&B Group has not yet installed the control panel and the District is not currently receiving surface water. Mr. Eastland reviewed with the Board progress payment no. 5 from R&B Group in the amount of \$-0-.

9. **Discuss and take action in connection with conversion to surface water.** This was discussed as part of the Engineer's Report.

10. **Discuss reclaimed water system.** Mr. Eastland reported that TC&B is evaluating 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. Mr. Eastland reported that TC&B findings will be submitted to the WHCRWA as justification for their consideration for participating in the funding of these conversions.

Mr. Eastland noted that a reclaimed water system meeting will be held at TC&B's offices on July 24, 2006 at 11:30 a.m. Mr. Eastland stated that HCMUD Nos. 162 and 208 have authorized TC&B to design the reclaimed water system and requested authorization from the District to design the reclaimed water system at a cost to the District of up to \$70,000.00. Upon motion by Director Day, seconded by Director Barnes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize TC&B to design the reclaimed water system at a cost of up to \$70,000.

11. **Update on District website.** Director Barnes noted that Director Champagne had been responsible for the website and that she would take over this responsibility for the next three months. Director Barnes suggested that this responsibility rotate every three months.

12. **Review District Insurance.** The Board discussed whether to solicit proposals or only obtain a renewal proposal from their current insurance provider. It was the consensus of the Board to only request a renewal proposal from their current insurance provider.

13. **Indemnification of Directors.** Action on this matter was deferred.

14. **Report on Copperfield Joint Operations Board meeting.** Mr. Hoffman updated the Board on the most recent meeting.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

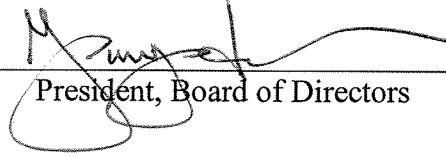
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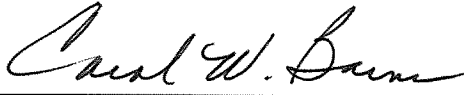
The foregoing minutes were passed and approved by the Board of Directors on

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President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)