

MINUTES OF MEETING OF BOARD OF DIRECTORS  
December 18, 2007

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 December 18, 2007; whereupon the roll was called of the members of the Board, to wit:

Gary Henderson, President  
Mark Day, Vice President  
Carol Barnes, Secretary  
Leonard Fojt, Treasurer  
Charles Bumpass, Assistant Secretary

All members of the Board were present except Director Barnes. Also attending all or parts of the meeting were Ms. Robin Goin of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of TCB, Inc. ("TCB"), engineers for the District; Mr. Chris Hoffman of H2O Consulting ("H2O"), operator for the District; Mr. Terry Holland of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Debra Hall and Ms. Susan Clark of Texas State Bank; and Ms. Jana Cogburn and Ms. Nancy Green 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 November 20, 2007, previously distributed to the Board. Upon motion by Director Bumpass, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted three in favor, with Director Fojt abstaining, to approve the minutes of the meeting of November 20, 2007, as presented.

2. **Tax Assessor and Collector's Report.** Ms. Goin presented to and reviewed with the Board the Tax Assessor and Collector's Report, copies of which are attached hereto as Exhibit "B." Ms. Goin reported that 5.50% of the District's 2007 taxes and 98.661% of the District's 2006 taxes have been collected. 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 approve the Tax Assessor and Collector's Report, and to authorize payment of check nos. 1331 through 1335 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

3. **Bookkeeper's and Investment Report.** The President recognized Mr. Holland, who presented to and reviewed with the Board the Bookkeeper's Report and the

Investment Report, copies of which are attached hereto as Exhibit "C." Mr. Holland provided the Board with a letter from Texas Trust and supporting articles, copies of which are attached to the Bookkeeper's Report. Mr. Holland stated that Myrtle Cruz monitors the Tex Pool Account on a weekly basis and noted that Tex Pool is also audited and monitored by the State of Texas regulatory authorities. Upon motion by Director Bumpass, seconded by Director Day, 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. 5853 through 5876 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.

Mr. Holland introduced Ms. Hall and Ms. Clark from Texas State Bank (the "Bank"), who reviewed an explanation of the Bank's investment policy securities, a copy of which is attached hereto as Exhibit "D." Ms. Hall answered the Board's questions on how the Bank values collateral and how collateral is reported on the depository pledge report. Ms. Hall reported that the Bank collateralizes 105% of the District's principal and interest daily. Ms. Hall stated that the Bank reviews all investment positions daily, the market value weekly and investment pricing monthly. Extensive discussion ensued.

4. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "E." Mr. Hoffman reported that the District pumped 5,088,000 gallons of water and purchased 9,713,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 76,586,000 gallons and zero months remaining on its Harris-Galveston Coastal Subsidence District Permit. Mr. Hoffman reported that H2O accounted for 97.2% of the water pumped in and purchased by the District in November 2007.

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 the paint contractor is waiting on an appropriate day to begin painting the GSTs and hydrotanks in the District.

Mr. Hoffman reported on the interior GST tank inspection and noted that the tank was inspected by Swain and Associates. Mr. Hoffman stated that H2O is waiting on the final report. Mr. Hoffman noted that H2O is in the process of filling tank #1 for a return to service and is draining GST #2 for inspection.

Mr. Hoffman reported that the new chlorine tank has been installed and is operational.

Mr. Hoffman reported that H2O winterized the water plant controls and valves at a final cost at \$1,099.91.

Mr. Hoffman reported on water line maintenance and noted that H2O performed blow off repairs at three locations in the District.

Mr. Hoffman reported that the test for tetrachloroethene ("perc") discharge at Rainbow Cleaners still detected slight readings of perc. Mr. Hoffman stated the slight readings

are probably the result of improper housekeeping. Mr. Hoffman reported that H2O would request the TCEQ's intervention to resolve the problem.

Mr. Hoffman stated that H2O is monitoring the water quality complaints and is keeping monthly water quality logs. Mr. Hoffman recommended flushing the lines to prevent the sulfur odor in the water and requested the Board's feedback on the effectiveness of the flushing.

5. **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 "E." Mr. Sarman reported on the GIS mapping system updates and noted that the ID names and the missing material updates to the digital files are currently being reviewed. Mr. Sarman reported that TCB will continue to update the Board on the status of the project.

Mr. Sarman reported that TCB submitted the letter of no objection for the McDonald's project on November 28, 2007 and noted that the letter is attached to the Engineer's Report.

Mr. Sarman reported that TCB submitted comments for the Mattress Pro plan review on December 11, 2007, a copy of which is attached to the Engineer's Report. Mr. Sarman noted that TCB has not received updated plans.

Mr. Sarman stated that TCB is coordinating with St. Mary's to address final comments on their expansion.

Mr. Sarman reported that TCB has still not received a response from Harris County Municipal Utility District No. 257 regarding authorization to perform the capacity analysis.

6. **Report on Copperfield Joint Operations Board ("CJOB") meeting and Update on RWS.** Director Henderson reported that Julie Tysor, president of Harris County Municipal Utility District No. 188 and secretary of CJOB, attended the Harris County Municipal Utility District No. 163 ("No. 163") board meeting in November to gain insight into No. 163's objections to the Reclaimed Water System ("RWS") Agreement. Director Henderson reported that CJOB approved a resolution relating to CJOB's sale of reclaimed water to Hearthstone Country Club. Director Henderson reported that Director Folmar, president of Harris County Municipal Utility District No. 162 ("No. 162") would like to move forward with the RWS and supports No. 162's sole participation in the project if an agreement is not reached between the members of CJOB.

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

\_\_\_\_\_.

\_\_\_\_\_  
President, Board of Directors

ATTEST:

\_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)