

MINUTES OF MEETING OF BOARD OF DIRECTORS
January 19, 2010

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 January 19, 2010; 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 Directors Fojt and Bumpass. Also attending all or parts of the meeting were Mr. Chris Hoffman of H2O Consulting, Inc. ("H2O"), operator for the District; Ms. Michelle Guerrero of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Tony Sarman of AECOM, Inc., engineers for the District; Ms. Lori Hogue of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Marsha Jan of McCall Gibson Swedlund Barfoot, PLLC, auditors for the District; 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 December 15, 2009, previously distributed to the Board. Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of December 15, 2009, as presented.

2. **Engage auditor for the fiscal year ending February 28, 2010.** Ms. Jan reviewed with the Board the auditor engagement letter, a copy of which is attached hereto as Exhibit "B." Ms. Jan estimated that the audit would cost between \$12,000 to \$14,000. 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 engage McCall Gibson Swedlund Barfoot, PLLC to perform the audit for the fiscal year ending February 29, 2010 and to authorize execution of the auditor's legal engagement letter and the legal representation letter by the President on behalf of the Board.

3. **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 "C." Ms. Guerrero reported that 50.324% of the District's 2009 taxes have been collected. Upon motion by Director Barnes, seconded by Director Bumpass, 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. 1098 through 1101 from the Tax Account in the amounts, to the persons, and for the purposes described in the Tax Assessor and Collector's Report.

4. **Adopt Order Authorizing Exemption from Taxation.** Ms. Guerrero reviewed with the Board the tax exemptions they have granted, copies of which are attached hereto as Exhibit "D." Discussion ensued. Upon motion by Director Day, seconded by Director Barnes, upon full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order Adopting Residential Homestead Exemption from Taxation thereby approving an exemption of 20% of appraised values of residence homesteads and a \$10,000 home exemption for residents who are disabled or are 65 years of age or older.

5. **Adopt Resolution Authorizing Additional Penalty and Interest Remaining Delinquent on April 1st (personal property) and July 1st (other property).** Upon motion by Director Barnes, seconded by Director Day, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code, a copy of which is attached hereto as Exhibit "E."

6. **Bookkeeper's and Investment Report.** The President recognized Ms. Hogue, who presented to and reviewed with the Board the Bookkeeper's Report, the budget for the fiscal year ending February 28, 2010, the proposed budget for the fiscal year ending February 28, 2011, and the Investment Report, copies of which are attached hereto as Exhibit "F." Upon motion by Director Barnes, 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. 6448 through 6469 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.

7. **Adopt budget for the fiscal year ending February 28, 2011.** This item was deferred.

8. **Operations Report.** Mr. Hoffman presented to and reviewed with the Board the Operations Report and the Proposed Budget for the fiscal year ending February 28, 2011, copies of which are attached hereto as Exhibit "G." Mr. Hoffman reported that the District pumped 2,985,000 gallons of water and purchased 13,328,000 gallons of water from the West Harris County Regional Water Authority ("WHCRWA") during the last period and that the District has 10,299,000 gallons and 11 months remaining on its Harris-Galveston Coastal Subsidence District ("HGCS D") Permit. Mr. Hoffman reported that H₂O accounted for 92.9% of the water pumped and purchased by the District in December, 2009.

Mr. Hoffman updated the Board on his communications with Comcast Corporation ("Comcast") regarding the builder damages and noted that a copy of the Comcast release and settlement form is attached to the Operations Report. Ms. Cogburn stated that a very

broad indemnification clause is included in the release and noted that the Board needs to analyze the risks of any additional problems before it agrees to execute the release. Discussion ensued regarding the risks. 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 the President to execute the release and settlement form from Comcast.

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 on the water plant maintenance and stated that during the recent well test, H2O found the air relief valve on well #1 not working properly which caused the meter to over-register and negatively affect the water accountability. Mr. Hoffman reported that H2O replaced the air relief valve at a final cost of \$1,493.

Mr. Hoffman reported on water line maintenance and noted that H2O completed the conversion to free chlorine and returned the disinfection back to chloramines at a final cost of \$2,038.42.

Mr. Hoffman reported that H2O is working with AECOM to complete the information for the Emergency Preparedness Plan ('EPP').

9. **Engineer's Report.** Mr. Sarman reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit 'H'

Mr. Sarman reported that the Home Owners Association's water meter in the median at Highway 6 and Cherry Park has been removed and Harris County has been notified so that they can commence work on the signal improvements.

Mr. Sarman reported that AECOM met with H2O regarding the plans for the control panel and the MCC design and noted that the designs are being prepared.

Mr. Sarman reported that AECOM has not yet identified any additional used natural gas generators that match the District's criteria.

Mr. Sarman reported that AECOM is preparing the EPP and will coordinate with H2O to confirm and address the remaining information needed to complete the EPP.

10. **Review cost estimates for the waterline quality loop.** Mr. Sarman reported that AECOM discussed the proposed waterline with Mr. Gyarmathy. Mr. Sarman reported that the plans and easement dedication were submitted to Mr. Vering for his consideration and signature. Mr. Sarman noted that Mr. Vering is not interested in removing the concrete pad. Mr. Sarman stated that upon receipt of the signed easements from Mr. Vering, AECOM will coordinate with the City of Houston and obtain revised estimates from the contractors.

11. **Discuss new generators for the lift station and water plant.** This item was discussed in the Engineer's Report.

12. **Adopt Order Calling Directors Election.** The Board discussed who might be available and willing to serve as election judges for the May 8, 2010 Directors Election. The Board discussed paying the election judges \$100 for reserving their time to serve as election judges in the event that the election is cancelled. Director Barnes agreed to contact Michelle and Richard Vogt to see if they would be willing to serve as the election judges.

13. **Review website updates.** The Board noted that the website has been updated.

14. **Approve Notice of Deadline to File Applications for Place on the Ballot.** Ms. Cogburn reported that the Notice of Deadline to File Applications for Place on the Ballot needs be approved for posting in the District. Upon motion by Director Barnes, seconded by Director Day, 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 Place on the Ballot, a copy of which is attached hereto as Exhibit 'T'

15. **Review issues relating to Copperfield Joint Operations Board ("CJOB") meeting.** Director Henderson reported that CJOB adopted the budget and maintained the \$8.50 connection rate from 2009. Director Henderson reported that CJOB passed the biomonitoring tests.

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 February 16, 2010.

President, Board of Directors

ATTEST:

Secretary, Board of Directors

(DISTRICT SEAL)