

MINUTES OF MEETING OF BOARD OF DIRECTORS
June 15, 2007

THE STATE OF TEXAS
COUNTY OF HARRIS
HARRIS COUNTY MUNICIPAL UTILITY
DISTRICT NO. 208

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 208 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney Street, Houston, Texas, at noon on June 15, 2007; whereupon the roll was called of the members of the Board, to wit:

Gary Struzick, President
John F. Moody, Vice President
Richard Huhn, Secretary
R. Brent Powell, Assistant Secretary
Brock E. Miller, Assistant Secretary

All members of the Board were present. Director Struzick entered the meeting in progress. Also attending all or part of the meeting were Ms. Kristen Scott of Bob Leared Interests ("BLI"), tax assessor and collector for the District; Mr. Bobby Adams and 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; Mr. Jerry Lavey of Harco Insurance Services; Ms. Heather Moss and Ms. Kim Courte of The Essential Group; 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 the 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 May 18, 2007, previously distributed to the Board. Upon motion by Director Powell, seconded by Director Moody, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the meeting of May 18, 2007, as presented.

2. **Tax Assessor and Collector's Report.** The Vice President recognized Ms. Scott, who presented to and reviewed with the Board the Tax Assessor and Collector's Report for the month of May and the Delinquent Roll, copies of which are attached hereto as Exhibit "B." Upon motion by Director Powell, seconded by Director Huhn, 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 Delinquent Roll, and authorize payment of check nos. 1207 and 1231 through 1233 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 Report.** The Vice President recognized Mr. Holland, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C." Upon motion by Director Huhn, seconded by Director Miller, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Investment Report and the Bookkeeper's Report, and to authorize payment of check nos. 7486 through 7510 from the Operating Account to the persons, in the amounts, and for the purposes described in the Bookkeeper's Report.

4. **Review Investment Policy.** This item was deferred.

5. **Approve audit for fiscal year ended February 28, 2007.** The Vice President recognized Mr. Merritt, who presented to and reviewed with the Board a draft of the District's audit for the fiscal year ended February 28, 2007, a copy of which is attached hereto as Exhibit "D."

Director Struzick arrived at the meeting.

Mr. Merritt presented to and reviewed with the Board a draft letter to management from the auditor in which the auditor reported that there was a material weakness in the District's internal controls over financial reporting. A copy of the letter is attached hereto as Exhibit "E." Mr. Merritt reported that the letter is due to a new auditing standard. Mr. Merritt explained that the material weakness is that the Board is responsible for having the knowledge to determine whether the financial statements have been properly prepared and are free from potential misstatement, but that the Board is an elected body whose members are not experts in governmental accounting. Mr. Merritt stated that since the Board does not prepare the financial statements, a material weakness exists in the financial reporting because the auditor prepares the financial statements.

Mr. Merritt stated that the Board had the option of responding to the letter and that one potential response is that the Board does not feel that the addition of an employee to oversee the financial reporting process is necessary or cost effective. Mr. Merritt stated that the management response can be tailored to reflect the objectives of the Board. Mr. Merritt reported that there were no material changes to the audit report because of the management response letter. Director Miller requested that Mr. Merritt include in the letter that the Board will re-visit the management response prior to the 2008 fiscal year end.

Upon motion by Director Miller, seconded by Director Huhn, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit for the fiscal year ended February 28, 2007, and to re-visit the management response to the material weakness prior to the 2008 fiscal year end.

6. **Renew District Insurance.** The President recognized Ms. Courte, who presented to and reviewed with the Board The Essential Group insurance proposal, a copy of which is attached hereto as Exhibit "F." Discussion ensued regarding the insurance proposal and the age of the District's equipment.

The President then recognized Mr. Lavey, who presented to and reviewed with the Board the Harco Insurance Services proposal, a copy of which is attached hereto as Exhibit "G."

Extensive discussion ensued regarding the District's inability to obtain a competitive proposal from Anco. The Board requested that Director Moody and Director Powell obtain insurance proposals and pricing for the District's insurance in April 2008, including a proposal from Anco, so that the District has ample time to review new proposals before the current insurance has expired. Upon motion by Director Moody, seconded by Director Huhn, after full discussion and the question being put to the Board, the Board voted four in favor, with Director Powell abstaining, to approve The Essential Insurance proposal and to authorize Director Moody and Director Powell to acquire insurance proposals and pricing for the District's insurance in April 2008.

7. **Operations Report.** The President recognized Mr. Hoffman, who presented to and reviewed with the Board the Operations Report and an Operations Report Summary, copies of which are attached hereto as Exhibit "H." Mr. Hoffman reported that H2O has scheduled the hydrotank inspection next week.

Mr. Hoffman reported that Phase 9 and 10 sewer line repairs are complete and that Phase 11 sewer line cleaning and televising is scheduled to begin Monday.

Mr. Hoffman stated that new District signs have arrived and are ready to be hung.

Mr. Hoffman reported that H2O is waiting for the booster pump test to submit the Superior Water System application.

8. **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 "I."

Mr. Sarman requested the Board's approval to consolidate Harris County Municipal Utility District No. 162's ("No. 162") Emergency Response Plan ("ERP") with the District's ERP. Mr. Sarman also requested approval to update the District's ERP to include: water plant descriptions; water supply resources; chemical inventory; operator personnel roster and response roles; sampling site locations; emergency contact information; and emergency action plans, at a cost of \$1,500. Upon motion by Director Powell, seconded by Director Moody, after full discussion and the question being put to the Board, the Board voted unanimously to approve adding the No. 162 ERP to the District's ERP and to update the current ERP with the aforementioned items at a cost of \$1,500.

9. **Discuss West Harris County Regional Water Authority ("WHCRWA") Surface Water Conversion Costs.** Mr. Sarman reported that TCB contacted Wayne Ahrens of the WHCRWA regarding the increase in reimbursement for engineering costs in an amount not to exceed 25% of construction costs. Mr. Sarman stated that the WHCRWA will use the old reimbursement submittals as documentation for the additional 10%. Mr. Sarman stated that TCB is still awaiting a response from the WHCRWA to determine if reimbursements for construction items performed by the District Operator or outside sources will be approved.

10. **Discuss update of website and preparation of newsletter.** Nothing new was discussed.

11. **Report on Copperfield Joint Operations Board (“CJOB”) meeting.** Mr. Hoffman reported that at the CJOB meeting H2O notified the Board that the fathead minnow test (sub-lethal) in May had failed. Mr. Hoffman stated that H2O is waiting on the final test results and the water quality results for the week of biomonitoring. Mr. Hoffman noted that if the test confirms the failure of fathead minnows (sub-lethal), H2O will need to re-test for sub-lethal in June and July. Mr. Hoffman explained that the minnows are grown in 93% effluent water and that their growth is measured to determine the water quality.

Director Powell reported that the Board also discussed insurance proposals and reviewed the draft audit.

12. **Discuss Reclaimed Water System.** Nothing new was discussed.

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)