

MINUTES HORSEPEN BAYOU MUNICIPAL UTILITY DISTRICT

January 12, 2012

The Board of Directors (the "Board") of Horsepen Bayou Municipal Utility District of Harris County, Texas (the "District"), met in regular session, open to the public, on the 12th day of January, 2012, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Glenn Peters	President
Ronnie J. Cutlip	Vice President
Dennis Montesinos	Secretary
Perry Galloway	Assistant Secretary
Garth Gwynn	Assistant Vice President

and all of the above were present, except Director Cutlip, thus constituting a quorum.

Also present were Delia Yanez of Assessments of the Southwest, Inc.; Lindsay Kovar and Coleman Philley of Brown & Gay Engineers, Inc. ("B&G"); Beulah Kelly of Myrtle Cruz, Inc.; Ken Love of Municipal District Services L.L.C.; Greer Pagan and Linda Sotirake of Allen Boone Humphries Robinson LLP.

MINUTES

The Board considered approving the minutes of the December 15, 2011, meeting. Following review and discussion, Director Montesinos moved to approve the minutes of the December 15, 2011, meeting as submitted. Director Galloway seconded the motion, which carried unanimously.

BOOKKEEPER'S REPORT AND PAYMENT OF BILLS

Ms. Kelly reviewed the monthly bookkeeper's report and submitted the bills of the District for the Board's review. She then reviewed monthly and year-to-date budget comparisons for the District's operating, water plant, and sewage treatment plant accounts. The Board also reviewed a monthly investment report for approval and execution by the District's Investment Officer. After discussion of the various invoices, Director Montesinos moved that the bills be approved for payment and the investment report be approved for execution by the District's Investment Officer. Director Galloway seconded the motion, which carried unanimously. A copy of the bookkeeper's report, including a list of the bills approved for payment, the monthly investment report, and the budget comparisons, are attached.

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ACCEPT ANNUAL DISCLOSURE STATEMENTS OF THE BOOKKEEPER AND INVESTMENT OFFICER

The Board next considered accepting the annual disclosure statements of the bookkeeper and investment officer. Following review, Director Montesinos moved to accept the annual disclosure statements of the bookkeeper and investment officer. Director Gwynn seconded the motion, which was approved by unanimous vote.

TAX REPORT

The Board reviewed the District's monthly tax report, which reflects that the District's 2011 taxes were 49.24% collected at the end of December. After discussion, Director Montesinos moved to approve the tax report and payment of the checks drawn on the District's tax account. Director Galloway seconded the motion, which carried unanimously. A copy of the tax report, including a list of the checks approved for payment, is attached.

DELINQUENT TAX REPORT AND HEARING REGARDING TERMINATION OF SERVICE TO DELINQUENT TAX ACCOUNTS

Ms. Yanez reviewed with the Board a list of delinquent tax accounts.

OPERATOR'S REPORT

Mr. Love presented a copy of the monthly operator's report and reviewed it with the Board. He pointed out that there were no wastewater treatment plant violations for the month of December. Mr. Chapline reported that the accountability of water was 91.4% for the month of December. A copy of the operator's report is attached.

Mr. Love reported on routine maintenance and repair items in the District.

Mr. Love then requested that the Board authorize the write-off of four delinquent accounts in the aggregate amount of \$717.23. Following discussion, Director Montesinos moved to approve the operator's report and to authorize writing-off four accounts. Director Galloway seconded the motion, which carried unanimously.

TERMINATION OF WATER SERVICE

Mr. Love next presented a list of delinquent utility service accounts. He advised the Board that all of the accounts on the list had been given written notification, in accordance with the District's Rate Order, of the opportunity to appear before the District's Board of Directors, either in person or in writing, to explain, contest, or correct their bills and to show why utility service should not be terminated for reason of nonpayment. Mr. Love noted that the accounts in question had neither contacted his office nor had appeared at the Board meeting concerning their bills. Following discussion, Director Montesinos

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moved to authorize termination of utility service to said accounts. The motion was seconded by Director Galloway and carried unanimously. A copy of the list of delinquent utility service accounts is attached.

ENGINEER'S REPORT

Ms. Kovar distributed a written report from B&G, a copy of which is attached, and reviewed it with the Board, including items specifically addressed as follows in the minutes.

Ms. Kovar presented a compilation of wastewater flow data through December, 2011, a copy of which is attached.

Ms. Kovar reported that B&G has completed the 5-Year Capital Improvement Projects Plan (the "Plan").

Ms. Kovar then reported on the District's water and wastewater capacity.

Ms. Kovar also reported that B&G submitted a package to the Army Corps of Engineers on August 25, 2011, requesting approval to clear underbrush through the wooded area west of the District's wastewater treatment plant. She stated that approval is expected by March 1, 2012.

Ms. Kovar then reported that the odor control spray application was installed on January 5, 2012.

Ms. Kovar also reported that B&G submitted the District's TPDES permit renewal application to the Texas Commission on Environmental Quality ("TCEQ") on November 1, 2011, and that the application was declared administratively complete on December 30, 2011.

Ms. Kovar reported that B&G forwarded the Reclaimed Effluent Contract to the Concord Bridge Homeowners Association regarding the TCEQ application to use domestic reclaimed water.

Ms. Kovar also reported that B&G received a call from Varco regarding storm water improvements to its tract. She stated that Varco is requesting approval to convert from sheet flow to point source. The Board deferred action on this matter pending receipt of further information.

Ms. Kovar then reported that the Texas Recreational Trails Grant Program has available funds for 2012. She then requested that the Board authorize submittal of a grant application prior to February 1, 2012. Following discussion, Director Montesinos moved

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to authorize submittal of a grant application. Director Galloway seconded the motion, which carried unanimously.

APPROVE PAY ESTIMATES AND CHANGE ORDERS FOR GROUND STORAGE TANK NO. 2 AT WATER PLANT NOS. 1 AND 2

Ms. Kovar updated the Board on the status of the rehabilitation of ground storage tank no. 2 at water plant nos. 1 and 2. She stated that she had no pay estimates from Caldwell Tanks, Inc. for the Board's approval.

APPROVE PAY ESTIMATES AND CHANGE ORDERS FOR GROUND STORAGE TANK NO. 1 AT WATER PLANT NOS. 1 AND 2

Ms. Kovar reported that the rehabilitation of ground storage tank no. 1 at water plant no. 2 is complete. She then reported that ground storage tank no. 1 at water plant no. 1 has multiple holes and deep pits in the walls and floor of the tank. She stated that the estimated cost to repair the ground storage tank would be \$26,000.00 and the estimated cost to replace the ground storage tank would be \$250,000.00. Following discussion, Director Montesinos moved to authorize the ground storage tank to be repaired with a solids coating. Director Galloway seconded the motion, which carried unanimously.

APPROVE PAY ESTIMATES AND CHANGE ORDERS FOR WATER PLANT NO. 1 MOTOR CONTROL CENTER IMPROVEMENTS

Ms. Kovar updated the Board on the status of the water plant no. 1 Motor Control Center improvements. She then recommended that the Board approve Pay Estimate No. 4 in the amount of \$102,600.00 from Tidal Construction. Following discussion, Director Montesinos moved to approve Pay Estimate No. 4 in the amount of \$102,600.00. Director Galloway seconded the motion, which carried unanimously.

DEVELOPER'S REPORT

The Board did not receive a report on development.

RECEIVE REPORT REGARDING THE WEST HARRIS COUNTY REGIONAL WATER AUTHORITY ("WHCRWA")

Mr. Pagan stated that he had nothing new to report.

ACCEPT CONVEYANCE OF DEEDS

The Board took no action on this matter.

RECEIVE REPORT FROM PATROL SERVICES COMMITTEE

Director Peters updated the Board on patrol services in the District.

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APPROVE INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES

The Board deferred action on this matter.

APPROVE FEASIBILITY STUDY

Ms. Kovar requested that the Board approve the feasibility study for the annexation of the commercial property for Tradition Bank. Following discussion, Director Montesinos moved to approve the feasibility study. Director Galloway seconded the motion, which carried unanimously.

CONDUCT PUBLIC HEARING ON ANNEXATION

The Board conducted a public hearing regarding the annexation and no comments were received from the public.

ACCEPT PETITION FOR ADDITION OF CERTAIN LAND TO HORSEPEN BAYOU MUNICIPAL UTILITY DISTRICT OF HARRIS COUNTY TEXAS

The Board considered accepting the Petition for Addition of Certain Land to Horsepen Bayou Municipal Utility District of Harris County, Texas from Tradition Bank. After discussion, Director Montesinos moved that the Board accept the Petition for Addition of Certain Land to the District. The motion was seconded by Director Galloway and carried by unanimous vote.

PETITION FOR CONSENT TO ANNEX LAND INTO THE DISTRICT

The Board considered authorizing execution of the Petition for Consent to Annex Land into Horsepen Bayou Municipal Utility District of Harris County, Texas from Tradition Bank, which petitions the City Council of the City of Houston for its written consent to the annexation by the District of the property. After review, Director Montesinos moved that the Board authorize execution of the Petition for Consent to Annex Land into the District. The motion was seconded by Director Galloway and carried by unanimous vote.

There being no further business to come before the Board, the meeting was adjourned.

Secretary, Board of Directors

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