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MINUTES HORSEPEN BAYOU MUNICIPAL UTILITY DISTRICT

January 14, 2010

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 14th day of January, 2010, 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:

Mark Janneck	President
Glenn Peters	Vice President
Vacant	Secretary
James Wilson	Assistant Secretary
Ronnie J. Cutlip	Assistant Vice President

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

Also present were Rhonda Rushton of Assessments of the Southwest, Inc.; Lindsay Kovar and Coleman Philley of Brown & Gay Engineers, Inc. ("B&G"); Beulah Kelly of Myrtle Cruz, Inc.; John Howell of The GMS Group, L.L.C; Bryan Chapline of Municipal District Services L.L.C. ("MDS"); Dennis Montesinos, a resident of the District; Debbie Gibson of McCall Gibson Swedlund Barfoot PLLC; Bob Allen of Riata Ranch; Greer Pagan of Allen Boone Humphries Robinson LLP; and Linda Sotirake as Recording Secretary.

MINUTES

The Board considered approving the minutes of the December 8, 2009, meetings. Following review and discussion, Director Peters moved to approve the minutes of the December 8, 2009, meeting as submitted. Director Cutlip seconded the motion, which carried unanimously.

APPOINTMENT OF DIRECTOR

Director Peters introduced Dennis Montesinos and stated that Mr. Montesinos is both willing and qualified to serve on the Board of Directors. After discussion, Director Peters moved to appoint Dennis Montesinos to the Board of Directors. The motion was seconded by Director Cutlip and carried by unanimous vote.

SWORN STATEMENT, OATH OF OFFICE, AND OFFICIAL BOND

The Board considered approving the Sworn Statement, Oath of Office, and Official Bond in conjunction with Dennis Montesinos' appointment to the Board.

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Director Peters moved to approve the Sworn Statement, Oath of Office, and Official Bond for Dennis Montesinos, and that the Oath of Office be filed with the Secretary of State and the Sworn Statement, Oath of Office, and Official Bond be filed and retained in the District's official records. Director Cutlip seconded the motion, which passed unanimously.

ORGANIZE THE BOARD OF DIRECTORS AND ELECT OFFICERS

After discussion, Director Peters moved that Director Montesinos serve as Assistant Vice President, Director Cutlip serve as Secretary and that the other directors retain their current positions. Director Cutlip seconded the motion, which carried unanimously.

DISTRICT REGISTRATION FORM

The Board next considered authorizing preparation and filing of a District Registration Form for Board members of Water Districts and Authorities in Texas, revised to reflect the appointment of the new Board member and the director's term. After discussion, Director Peters moved to authorize the preparation and filing of the District Registration Form. The motion was seconded by Director Cutlip and carried by unanimous vote.

APPROVE REIMBURSEMENT REPORT AND AUTHORIZE DISBURSEMENT OF FUNDS

Ms. Gibson stated that the reimbursement report would be available for approval at the District's February meeting.

Mr. Allen requested that the Board authorize the District's attorney to write a letter to Signat Business Park, L.P. ("Signat") regarding reimbursement for oversized facilities and future annexation of adjacent tracts. Following discussion, Director Peters moved that the Board authorize Mr. Pagan to write a letter to Signat. Director Cutlip seconded the motion, which carried unanimously.

BOOKKEEPER'S REPORT AND PAYMENT OF BILLS

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

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bookkeeper's report, including a list of the bills approved for payment, the monthly investment report, and the budget comparisons, is attached.

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 Cutlip moved to accept the annual disclosure statements of the bookkeeper and investment officer. Director Peters 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 2009 taxes were 44.11% collected at the end of December. After discussion, Director Cutlip moved to approve the tax report and payment of the checks drawn on the District's tax account. Director Peters 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. Rushton reviewed a list of delinquent tax accounts.

OPERATOR'S REPORT

Mr. Chapline 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. He reported that the accountability of water was 98% for the month of December. A copy of the operator's report is attached.

Mr. Chapline reported on routine maintenance and repair items in the District. He then requested that the Board authorize the repairs to the fire hydrants. Following discussion, Director Montesinos moved that the Board authorize the repairs to the fire hydrants. Director Cutlip seconded the motion, which carried unanimously. Director Janneck requested that Ms. Kovar check the hydrant on Park Borough at Canaan Bridge.

TERMINATION OF WATER SERVICE

Mr. Chapline next presented a list of delinquent utility service accounts. Mr. Chapline 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,

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contest, or correct their bills and to show why utility service should not be terminated for reason of nonpayment. Mr. Chapline 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 moved to authorize termination of utility service to said accounts. The motion was seconded by Director Cutlip and carried unanimously. A copy of the list of delinquent utility service accounts is attached.

UPDATE ON INSTALLATION OF INFLOW PROTECTORS.

Mr. Chapline stated that he is working on the installation of the inflow protectors.

The Board requested that Harris County Municipal Utility District No. 255 ("MUD 255") be contacted regarding the installation of inflow protectors in MUD 255.

ENGINEER'S REPORT

Ms. Kovar distributed a written report from B&G, a copy of which is attached, and reviewed it with the Board.

Ms. Kovar updated the Board on the status of the New Quest Properties surplus funds application.

Ms. Kovar reported that B&G has prepared a 5-year Capital Improvement Projects Plan. She pointed out that the Capital Improvement Projects Plan includes information regarding available funds and potential projects.

Ms. Kovar then reported that B&G reviewed the District's Emergency Preparedness Plan (the "Plan") and that the Plan will need to be revised to comply with the Texas Commission on Environmental Quality Plan's form. She stated that the revised Plan will be ready for approval at the District's February meeting.

Ms. Kovar reported that TxDot agreed to clear overgrown vegetation and debris in its channel adjacent to the Signat detention pond. She stated that TxDot has not yet provided a projected date of completion.

Ms. Kovar then reported that Harris County requested that B&G review plans for North Eldridge Parkway improvements approximately 500 feet north of West Little York to approximately 500 feet north of FM529. She stated that B&G will review the plans and notify the District's operator of any utility conflicts that will need to be resolved.

Ms. Kovar presented a compilation of wastewater flow data through December, 2009, a copy of which is attached.

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REVIEW BIDS AND AWARD CONTRACT FOR WATER WELL NO. 1 REHABILITATION

Ms. Kovar reported that the District received bids for water well no. 1 rehabilitation. She then recommended that the Board accept the low bid in the amount of \$328,474.00 submitted by Alsay, Inc. The Board concurred that award of a contract to Alsay, Inc. will be most advantageous to the District and will result in the best and most economical completion of the District's facilities. After discussion, Director Peters moved to accept the low bid in the amount of \$328,474.00 submitted by Alsay, Inc. for water well no. 1 rehabilitation. Director Cutlip seconded the motion, which carried unanimously.

BID REVIEW AND AWARD SALE OF DISTRICT'S \$1,810,000 BONDS

The Board considered review of the bids and award of the sale of the District's \$1,810,000 Unlimited Tax Bonds, Series 2010 ("Bonds"). Mr. Howell reviewed the bids that had been received:

- (1) Morgan Keegan & Co., Inc., with a net effective interest rate of 5.399626%;
 - (2) Wells Fargo Advisors, with a net effective interest rate of 5.450283%;
 - (3) First Southwest Company, with a net effective interest rate of 5.531456%;
 - (4) SAMCO Capital Markets, with a net effective interest rate of 5.532779%;
 - (5) The GMS Group, LLC, with a net effective interest rate of 5.654744%; and
- (3) Hutchinson, Shockey, Erley, & Co., with a net effective interest rate of 5.835366%;

AWARD SALE OF DISTRICT'S BONDS

The Board next considered award of the sale of the Bonds. Mr. Howell stated that the low bid submitted by Morgan Keegan & Co., Inc., with a net effective interest rate of 5.399626% had been reviewed and all numbers checked, and everything was found to be correct and in order. He recommended that the District accept the bid of Morgan Keegan & Co., Inc., as submitted. Director Montesinos moved to award the sale of the Bonds to Morgan Keegan & Co., Inc., with a net effective interest rate of 5.399626%. Director Janneck seconded the motion, which carried unanimously.

RESOLUTION AUTHORIZING THE ISSUANCE OF THE DISTRICT'S BONDS

The Board next considered adopting a Resolution Authorizing the Issuance of the District's Bonds ("Resolution"). Mr. Pagan reviewed the proposed Resolution with

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the Board and explained that the document sets forth the terms and provisions of issuance and delivery of the Bonds, the payment of principal and interest over the life of the Bonds, and certain District covenants regarding the tax-exempt status of the Bonds. After review and discussion, Director Montesinos moved to adopt the Resolution. Director Cutlip seconded the motion, which was approved by unanimous vote.

PAYING AGENT/REGISTRAR AGREEMENT FOR THE DISTRICT'S BONDS

The Board next considered execution of the Paying Agent/Registrar Agreement with Wells Fargo Bank. Mr. Pagan stated that the agreement sets forth the provisions by which the paying agent/registrar will handle registration, transfer, and payment of the District's Bonds. Director Montesinos moved to approve the Paying Agent/Registrar Agreement with Wells Fargo Bank. Director Cutlip seconded the motion, which carried unanimously.

OFFICIAL STATEMENT FOR THE DISTRICT'S BONDS

The Board next considered approving the Official Statement. Mr. Pagan explained that the Preliminary Official Statement would be revised to reflect the terms of this sale, including the purchaser, interest rates, and debt service requirements. After discussion, Director Montesinos moved to approve the Official Statement. Director Cutlip seconded the motion, which was approved by unanimous vote.

EXECUTION OF DOCUMENTS RELATED TO THE DISTRICT'S BONDS

Mr. Pagan next explained that there will be various documents related to delivery of the Bonds requiring execution by the directors prior to closing. He requested that the Board authorize the President and Secretary to execute documents necessary in connection with the transaction and authorize the District's attorney and financial advisor to take all necessary action to deliver the Bonds to the purchaser. Director Montesinos moved to authorize execution of documents related to the sale and delivery of the Bonds and authorize the District's attorney and financial advisor to take all necessary action to deliver the Bonds. Director Cutlip seconded the motion, which was approved by unanimous vote.

AMENDMENT TO INFORMATION FORM

The Board considered approving an Amendment to the District's Information Form, which reflects the updated total amount of bonds sold by the District. Upon a motion made by Director Montesinos and seconded by Director Janneck, the Board voted unanimously to approve the Amendment to the Information Form, to be filed with the Texas Commission on Environmental Quality and Harris County Deed Records.

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UPDATE FROM DISTRICT ENGINEER ON TEXAS COMMISSION ON ENVIRONMENTAL QUALITY INSPECTION OF FACILITIES FOR SURPLUS FUNDS

Ms. Kovar stated that she is working on the deficiencies noted by the Texas Commission on Environmental Quality.

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

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

DEVELOPER'S REPORT

The Board did not receive a developer's report.

ACCEPT CONVEYANCE OF DEEDS

The Board took no action on this matter.

ARBITRAGE REBATE ANALYSIS

Mr. Pagan discussed with the board the arbitrage rebate analysis prepared by OmniCap Group LLC. He pointed out that OmniCap Group LLC determined that there was no rebate or yield reduction payment due on the Series 2000 Bonds.

RECEIVE REPORT FROM PATROL SERVICES COMMITTEE

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

AUDIT REPORTS

The Board considered approving the audit reports for the District and the Joint Water Supply and Waste Treatment Facilities for the fiscal year ending September 30, 2009. Ms. Gibson reviewed drafts of the reports with the Board. After discussion, Director Montesinos moved to approve the audit reports, subject to attorney review. Director Cutlip seconded the motion, which carried unanimously.

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

Secretary, Board of Directors

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