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MINUTES HORSEPEN BAYOU MUNICIPAL UTILITY DISTRICT

March 17, 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 17th day of March, 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
Ronnie J. Cutlip	Secretary
James Wilson	Assistant Secretary
Dennis Montesinos	Assistant Vice President

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

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

MINUTES

The Board considered approving the minutes of the February 11, 2010, meeting. Following review and discussion, Director Wilson moved to approve the minutes of the February 11, 2010, meeting as submitted. Director Montesinos seconded the motion, which carried unanimously.

ACCEPT RESIGNATION OF DIRECTOR

Ms. Sotirake reported that Mark Janneck submitted his resignation from the Board of Directors. Upon a motion made by Director Wilson and seconded by Director Montesinos, the Board voted unanimously to accept Mark Janneck's resignation.

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

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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 Wilson 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, is attached.

TAX REPORT

The Board reviewed the District's monthly tax report, which reflects that the District's 2009 taxes were 92.99% collected at the end of February. After discussion, Director Montesinos moved to approve the tax report and payment of the checks drawn on the District's tax account. Director Wilson seconded the motion, which carried unanimously. A copy of the tax report, including a list of the checks approved for payment, is attached.

Ms. Yanez discussed with the Board Gary Barnett's request for a waiver of penalties and interest on his delinquent taxes. She stated that according to the Texas Property Tax Code, the governing body of a taxing unit shall waive penalties and may provide for the waiver of interest on a delinquent tax if an act or omission of an officer, employee, or agent of the taxing unit or the appraisal district in which the taxing unit participates, caused or resulted in the taxpayer's failure to pay the tax before delinquency and if the tax is paid within 21 days after the taxpayer knows or should know of the delinquency. Ms. Yanez pointed out that Mr. Barnett's cashiers check was mailed at the same time the check to Harris County was mailed and that Harris County received his check, but the District's tax office did not receive his check. Following discussion, Director Wilson moved to grant Mr. Barnett's request. Director Montesinos seconded the motion, which carried unanimously.

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

Ms. Yanez reviewed a list of delinquent tax accounts.

ADOPT RESOLUTION CONCERNING EXEMPTION FROM TAXATION

The Board considered adopting a Resolution Concerning Exemption From Taxation. After discussion, Director Wilson moved to adopt the Resolution Concerning Exemption from Taxation exempting from ad valorem taxation by the District \$20,000 of the appraised value of residence homesteads of individuals who are disabled or 65 years of age or older. Director Montesinos seconded the motion, which carried unanimously.

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ADOPT RESOLUTION CONCERNING TAX COLLECTION PROCEDURES

As its next act of business, the Board considered adopting a Resolution Concerning Tax Collection Procedures. After discussion, Director Wilson moved to adopt the Resolution as presented, which approves the following tax procedures: (1) issuing a tax bill for all accounts including any account with taxes under \$15.00, subject to the provisions of the Texas Property Tax Code, as amended; (2) disallowing split payment of taxes; and (3) disallowing discounts for early payment of taxes. The motion was seconded by Director Montesinos and carried unanimously.

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 February. He reported that the accountability of water was 98.5% for the month of February. A copy of the operator's report is attached.

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

Mr. Chapline reviewed with the Board a letter from Roberta Montgomery requesting that the Board waive the assessed late fee. Mr. Chapline pointed out that Ms. Montgomery stated that she has always paid her utility bills on time. Following discussion, Director Montesinos moved that the Board grant Ms. Montgomery's request. Director Wilson seconded the motion, which carried unanimously.

Mr. Chapline requested that the Board authorize 10 accounts in the cumulative amount of \$1,050.94 to be turned over to a collection agency for its collection efforts. Following discussion, Director Montesinos moved to approve the operator's report and to authorize 10 accounts to be turned over to a collection agency for its collection efforts. Director Wilson seconded the motion, which carried unanimously.

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, 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 Wilson and carried unanimously. A copy of the list of delinquent utility service accounts is attached.

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ADOPT AMENDED RATE ORDER

Mr. Chapline reviewed an increase in the WHCRWA fees to the District's customers. Following discussion, Director Wilson moved to adopt the Amended Rate Order. Director Montesinos seconded the motion, which carried unanimously.

UPDATE ON INSTALLATION OF INFLOW PROTECTORS.

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

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 the District's Emergency Preparedness Plan was submitted to the Texas Commission on Environmental Quality on February 26, 2010.

Ms. Kovar presented a compilation of wastewater flow data through February, 2010, a copy of which is attached.

APPROVE PAY ESTIMATES AND CHANGE ORDERS FOR WASTEWATER TREATMENT PLANT IMPROVEMENTS

Ms. Kovar updated that Board on the status of the wastewater treatment plant improvements. She stated that she had no pay estimates from RP Constructors, Inc. for the Board's approval.

APPROVE PAY ESTIMATES AND CHANGE ORDERS FOR WATER WELL NO. 1 REHABILITATION

Ms. Kovar updated the Board on the status of the water well no. 1 rehabilitation. She stated that she had no pay estimates from Alsay, Inc. for the Board's approval.

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

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

APPROVE ANNUAL REPORT AND AUTHORIZE FILING OF SAME WITH APPROPRIATE INFORMATION REPOSITORIES IN ACCORDANCE WITH CONTINUING DISCLOSURE OF INFORMATION AGREEMENT AND AMENDMENT TO THE CONTINUING DISCLOSURE AGREEMENT

Mr. Pagan reviewed an Annual Report containing updated financial and operating data to be filed in accordance with the continuing disclosure provisions contained in the District's bond resolution. He stated that the District is required to file certain financial and operating data with the Municipal Securities Rulemaking Board (the "MSRB") through EMMA in compliance with SEC Rule 15c12-12. Following review and discussion, Director Wilson moved to approve the Annual Report, authorize the attorney to submit the District's updated financial and operating data in compliance with the continuing disclosure provisions contained in the bond resolution, as amended by the Amendment to Continuing Disclosure Undertaking, and direct that the Report be filed appropriately and retained in the District's official records. Director Montesinos seconded the motion, which passed unanimously.

ACCEPT CERTIFICATE DECLARING UNOPPOSED STATUS OF CANDIDATES FOR ELECTION TO THE BOARD OF DIRECTORS

Mr. Pagan presented a Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors reflecting that as of March 8, 2010, three candidate applications were received, as of March 15, 2010, no write-in candidate applications were received, and one certificate of withdrawal was received in connection with the three director positions to be placed on the ballot for the May 8, 2010, directors election. Director Montesinos moved to accept the Certificate Declaring Unopposed Status of Candidates for Election to the Board of Directors. Director Wilson seconded the motion, which passed by unanimous vote.

ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE

Mr. Pagan next presented an Order Declaring Unopposed Candidates Elected to Office. The Order states that: (1) the Secretary of the Board has certified that the District received three candidate applications, no write-in applications, and one certificate of withdrawal with the three director positions to be placed on the ballot for the May 8, 2010, directors election; (2) pursuant to Section 2.053 of Subchapter C of the Texas Election Code, the District has the authority to declare each unopposed candidate for director elected to office in lieu of holding the May 8, 2010, directors election; and (3) Ronnie J. Cutlip and Glenn Peters are therefore declared to be elected to serve from May

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8, 2010, until May 10, 2014. Director Montesinos moved to adopt the Order Declaring Unopposed Candidates Elected to Office. Director Wilson seconded the motion, which passed by unanimous vote.

ADOPT ORDER OF CANCELLATION

Mr. Pagan then presented an Order of Cancellation declaring that Ronnie J. Cutlip and Glenn Peters have been elected to office. Following discussion, Director Montesinos moved to adopt the Order of Cancellation. Director Wilson seconded the motion, which carried unanimously.

DEVELOPER'S REPORT

The Board did not receive a developer's 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.

RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR USE OF SURPLUS FUNDS

The Board considered adopting a Resolution Authorizing Application to the Texas Commission on Environmental Quality for Use of Surplus Funds ("Resolution"). Upon a motion made by Director Montesinos and seconded by Director Wilson, the Board voted unanimously to adopt the Resolution.

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

Secretary, Board of Directors

(SEAL)

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