

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors
December 14, 2010

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on December 14, 2010 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Craig C. Young, Vice President
Raymond Kelley, Secretary
Greg Vratil, Director
Gus Gustafson, Director

and the following absent:

Doug Caldwell, Jr., President

Also present were Mr. Mike Potter of Hays Utility Service, Ms. Vickey Sullivan of Equi-Tax, Inc., Ms. Mary Ann Mihills of McLennan & Associates, LP, Mr. Erik Spencer of Van De Wiele & Vogler, Inc., Mr. Ron Walkoviak of Development Consultants Inc., and Mr. James D. Bonham, attorney for the District.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. The Board considered the minutes of the meetings of November 9, 2010 and November 12, 2010, and upon motion duly made, seconded and unanimously carried, the Board approved the minutes as presented.

2. The Board then recognized Ms. Mary Ann Mihills who presented the attached bookkeeper's report. The Board considered invoices presented by the bookkeeper and reviewed a schedule of District investments. The Board also reviewed the general fund budget comparison of actual versus budgeted revenues and expenditures. The Board reviewed the line item for revenues and expenses related to the North Harris County Regional Water Authority and discussed the possible need to adjust the rate charged to the District customers. The Board discussed various alternatives for a more accurate reflection of the revenues and expenses, and Director Greg Vratil agreed that he would make an effort to identify a better alternative. After review and discussion, upon unanimous vote, the Board approved the bookkeeper's report and the checks listed thereon.

3. The Board then reviewed the tax assessor-collector's report reflecting the 2009 taxes to be 98.3% collected. The Board reviewed a schedule of delinquent taxes and a schedule of disbursements from the tax account. Upon motion duly made, seconded and unanimously carried, the Board approved the tax assessor-collector's report and the checks drawn on the tax account.

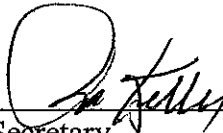
4. Mr. Mike Potter was then recognized by the Board and presented the operator's report reflecting 1,869 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 94.29% of the water pumped during the previous month had been accounted for. The operator reported on the operation of water plant no. 1, water plant no. 2 and the wastewater treatment plant and advised that there were no waste discharge permit violations during the reporting period. Mr. Potter responded to inquiries regarding the operator's invoices, including invoices for the repair of damage at the no. 4 lift station and the repair of a rotten fence owned by a resident adjacent to the water plant. The Board also discussed increased vandalism at plant facilities throughout the greater Houston area and agreed that the District's security contractor should inspect water plant no. 2 and the District lift stations and make a recommendation for improving security. The Board also reviewed the billing and collections data which appears in the report. Upon motion duly made, seconded and unanimously carried, the Board approved the operator's report and authorized termination of services to all customers appearing on the delinquent list.

5. The Board then recognized Mr. Erik Spencer who presented the engineer's report. The Board approved the pay application which appear in the engineer's report and discussed the status of the Rebel Contractors contract for the Wimbledon Country drainage improvements. The engineer reported on efforts to identify a site for water plant no. 3 and reported on the status of the Reddico Construction contract for underground utilities to serve Saddlebrook Village, Section 2 and the MAS Contractors contract for The Preserve at Northampton detention pond. It was reported to the Board that MAS Contractors had filed Chapter 11 bankruptcy, and the attorney for the District was requested to work with the engineer and developer to insure a timely completion of the contract. Mr. Spencer also advised that change order no. 1 to RP Constructors contract will be presented at the next Board meeting. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

6. The Board then considered an amended application to the Texas Commission on Environmental Quality for a change in project scope, release of escrow and use of surplus funds, and upon unanimous vote, the amended resolution was approved by the Board.

7. Director Gustafson then advised that the TCEQ is now enforcing regulations requiring that a licensed irrigation contractor inspect backflow prevention devices and it was agreed that the operator should identify any backflow prevention devices in the District which could result in a health hazard.

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


Secretary