

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 1

Minutes of Meeting of Board of Directors  
August 9, 2011

The Board of Directors ("Board") of Harris County Municipal Utility District No. 1 ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on August 9, 2011 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

Doug Caldwell, Jr., President  
Craig C. Young, Vice President  
Raymond Kelley, Secretary  
Gus Gustafson, Director

and the following absent:

Greg Vratil, Director

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 Lakeview Land Group, LLC, 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 meeting of July 12, 2011, 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 bookkeeper presented a draft budget for the fiscal year ending September 30, 2012 for consideration at the September Board meeting. After review and discussion, upon unanimous vote, the Board approved the bookkeeper's report and the checks listed thereon.

3. The Board then considered the attached Order Adopting Investment Policy to comply with recent legislative changes, and upon unanimous vote, the Order was approved by the Board.

4. The Board then discussed the escrow requirement by the Texas Commission on Environmental Quality as reflected in approval of the District's Series 2011 Bonds. After discussion, the Board authorized execution of an Escrow Order with Compass Bank pursuant to the TCEQ requirements and further authorized an Application for Release of Escrow to be filed with an expedited review certificate.

5. The Board then reviewed the tax assessor-collector's report reflecting the 2010 taxes to be 98.5% collected. The Board reviewed a schedule of delinquent taxes and a schedule of disbursements from the tax account. The Board then reviewed a request for waiver of late fees on the Amanda McAnulty account. The Board reviewed the circumstances resulting in levy of the penalties, and upon unanimous vote, the request was denied. 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.

6. Mr. Mike Potter was then recognized by the Board and presented the operator's report reflecting 1,935 total connections in the District. The Board reviewed the water production and consumption data, and it appeared that 93.04% 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. The operator advised that water plant no. 1 is on line and that the run times at water plant no. 2 did not require implementation of the District's Water Conservation Plan although signs requesting voluntary water rationing had been placed in the District. The Board discussed the inquiry by Sludge Net regarding the treatment of sludge from the sewer treatment plant, and Mr. Potter advised that he is meeting with Sludge Net to discuss the matter. The Board then discussed with the operator the policy for notifying directors of important matters related to the provision of service in the District. The Board discussed the matter and requested Mr. Potter notify the directors by email of any event which might result in low pressure or interruption of service or any other matter Mr. Potter thinks may be of interest to the District's customers. 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. The operator presented a list of delinquent accounts considered to be uncollectible, and upon unanimous vote, the Board authorized all accounts to be written off as uncollectible but requested that the two builder accounts which appear to be active homebuilders be referred to a collection agency.

7. The Board then recognized Mr. Erik Spencer who presented the engineer's report. Mr. Spencer reported that the barbed wire fence had been cut at the Wimbledon Country drainage channel, and the Board requested the engineer contact a fence building company and request alternatives for improvement of the fence to avoid future problems. The engineer reported on the status of plans for water plant no. 3 and the elevated water storage tank waiver, as well as the status of the waste discharge permit for wastewater treatment plant no. 2. The Board reviewed a notice received from Harris County regarding the condition of the Klein Meadows and Saddlebrook Ranch detention ponds. After review and discussion, upon unanimous vote, it was agreed that the homeowner's associations should be notified of the District's intent to mow the detention ponds and charge the cost to the homeowner's associations pursuant to the Detention Pond Maintenance Agreements. Mr. Spencer reported on the results of probing of the water lines in Preserve at Northampton and advised that Clearwater Utilities will be adjusting certain water lines which do not conform to the construction plans. The Board discussed the matter and deferred any further discussion with respect to the responsibility for utility line depths. The Board approved change order no. 3 on the Clearwater Utilities contract for the Preserve at Northampton, Section 1 and approved change order no. 1 to the RP Constructors contract for wastewater treatment plant no. 2. The Board also approved pay

application no. 7 on the pollution prevention contract. After discussion by the Board, upon unanimous vote, the Board approved the engineer's report.

8. The Board then engaged in a discussion regarding the provision of additional security in the District and reviewed correspondence received from a District resident with respect to the same. After discussion, it was agreed that Directors Young and Vratil obtain a proposal and a cost estimate for the provision of supplemental security service by the Harris County Constable.

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

  
Secretary