

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, November 6, 2008

The Board of Directors (the "Board") of the Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, November 6, 2008 at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, whereupon the roll was called of the members of the Board to-wit:

Roy P. Lackey	President
Tiffani C. Bishop	Vice President/Investment Officer
Sharon L. Cook	Secretary
Eric Daniel	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present. Consultants in attendance were: Mark T. Stendahl, P.E., consulting engineer; Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Cpl. Mike Swindler of the Harris County Constable's Office, Precinct 4; Gina Ognoskie of KB Home Lone Star, Inc. ("KB Home"); Cary Dunham of Dungrove, LLC ("Cobblestone"); Joshua W. Golden, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Also attending was Heather Monteverde of Crest Management and the following residents of Northern Point Subdivision: Jason Cargile, President of the Northern Point Homeowners Association ("NPHOA"); Claudia Moran, Petition Committee Chairman; Edward Harris, Sr.; Shirley Harris; Winfred Harris; Jennifer Clark; and Angelique R. Sobey, Vice President of the NPHOA.

The President, after finding that notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order at 6:37 p.m. for such business as may properly come before the Board.

1. **PUBLIC COMMENT.** Mr. Cargile questioned the Board regarding the flooding issue in Northern Point after Hurricane Ike and stated that Northern Point also floods during a good hard rain. Mr. Cargile stated that he believes the problem is that the pumps are not big enough so that the Northern Point Detention Pond does not drain. Director Lackey responded that the District's Drainage System (the "System") is designed and built pursuant to Harris County Flood Control standards. The system is designed for a 2-year storm. The streets are lower than the collection system; the houses are built up and the streets are low. Director Lackey then went on to state the difference between a detention pond and a retention pond. Northern Point has a retention pond and the water has to be pumped out. The design system is very complex and the controls are on an auto dialer. Director Lackey added that the system is so sophisticated that it can also be called and interrogated. The

stormwater pumps worked during the storm, the power outage, and after the power was restored just as it was designed to work.

The residents then asked if Northern Point is one of the highest subdivisions in the District and they have a flooding problem, why is it that other areas in the District did not have the same flooding problem? Director Lackey responded that after Hurricane Ike hit, flooding also occurred in other subdivisions of the District as well as all over Tomball. The flooding was not due to any action or inaction of the District. The development plans were all approved by the City of Houston, Harris County and then the system is inspected by the Texas Commission On Environmental Quality prior to the District being allowed to reimburse the developer for the facilities. Harris County has now accepted the streets and flood control is the County's responsibility.

Discussion then ensued regarding regulatory control over the District and taxing limitation.

Ms. Clark asked how the residents of Northern Point can verify that the storm drains are clear of debris and what if anything they can do to prevent future flooding. Director Lackey stated that the District would initiate a call to Harris County on behalf of Northern Point to try and have the County come out to check for any debris or blockage in the drains.

Northern Point Walking Trail: Director Lackey next recognized Ms. Monteverde who first updated the Board on the history of the walking trail and the reports given by the former Northern Point HOA board member, Mr. Grunyon. Ms. Monteverde stated the NPHOA has already spent \$19,800 on the trail, owe the balance of \$15,000 to the landscaper and will cost the NPHOA another \$15,000 to take the trail out. Director Lackey attempted to explain the design of the retention pond and the problems with maintaining the integrity of the pond after improvements are put in. Director Lackey stated that the District currently maintains 100 acres of detention ponds and several years ago when the District first started maintaining the detention ponds, the District spent \$250k to repair damages made by four-wheelers, motorcycles and pick-up trucks to restore the ponds to their integrity.

Ms. Clark stated that the HOA Board is willing to do whatever it takes to solve the problem and to continue the improvements of the retention pond. Mr. Stendahl stated that the estimated cost of maintaining the walking trail is \$300-600 per month, including weed killer applications. Director Bishop questioned whether or not the NPHOA could guarantee the District they would continue to pay for the maintenance through the years. Mr. Golden asked whether the NPHOA would be interested in purchasing a bond sufficient to remove the trail should the NPHOA default on the agreement to maintain the trail down the road. Director Lackey stated that there is also an issue in having sufficient access for the batwing mowers to enter into the pond. Director Bishop stated that that is why the District wanted to review and approve the plans up front to insure that the integrity of the pond is

maintained and District contractors could perform their duties without tearing up their equipment. Discussion then ensued regarding scheduling a special meeting with the Board and the NPHOA and their landscape architect. Both parties agreed to a special meeting on Monday, December 8, 2008 at 6:30 p.m.

Ms. Monteverde and all the Northern Point residents departed the meeting at this time, 8:10 p.m.

2. **Constable's Report.** Cpl. Swindler stated that he did not have the report ready to present to the Board. Director Dunn requested that this agenda item be moved to the District's Bookkeeping and Tax meeting on the 3rd Thursday of each month from now on.
3. **Minutes.** The President next directed the Board's attention to approval of the minutes of the October 16, 2008 Board of Directors meeting. Upon motion by Director Daniel, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 16, 2008 meeting with corrections noted.
4. **Operator's Report:** Mr. Plunkett next presented the Operator's Report, a copy of which is attached hereto as Exhibit "A".
 - a. **Monthly Operations.** Mr. Plunkett first reviewed the monthly Operations Report including the collections and current billings. Mr. Plunkett reported that the District had a 93.64% water accountability rating with a total of 3,228 accounts.
 - b. **Repairs to District Facilities.** Mr. Plunkett stated that Well Pump #4 replacement is complete and the District was receiving water from the North Harris County Regional Water Authority ("RWA"). Mr. Plunkett then stated that chlorine feeders were needed for both Well #4 and #5 (Water Plant #2 disinfection system – chloramination) in the approximate cost of \$18,000. Upon motion by Director Cook, second by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the Operator to purchase the chlorine feeders.
 - c. **FEMA Reimbursement.** Mr. Plunkett updated the Board on the status of the FEMA reimbursement for damages incurred as a result of Hurricane Ike. The estimated costs are approximately at \$15,000.00. Ms. Henderson reported that the District had received two (2) checks, each in the approximate amount of \$5,000.00 from the District's insurance carrier for storm damages.
 - d. **Terminations.** Finally, Mr. Plunkett directed the Board's attention to the Termination List attached to the Operator's Report and affirmed that all Customers on the list were at least 60 days past due and had been notified of their right to attend this meeting to address the Board.

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board accepted the Operator's Report and authorized termination of the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.

5. **Engineer's Report.** The President next recognized Mr. Stendahl, who presented and reviewed the Engineer's Report with the Board, a copy of which is attached hereto as Exhibit "B", as follows:
- a. Water Quality Monitoring. Mr. Stendahl reported that the results of the October 2008 test results on Water Wells No. 2, 3 and 5 were all non-detect. Water Well No. 4 was not in service and therefore, not sampled.
 - b. Stand-by Power Generators. Bid packages are being prepared with separate proposals requested for installation of the three generators.
 - c. Water Well No. 6. The notice to proceed has been issued to C. E. Barker with a scheduled completion date of December 26, 2008. With respect to the Power Line Easement, Mr. Stendahl reported that the executed Facilities Extension Agreement has been forwarded to CNP with payment of the construction cost of \$6,815.00 and payment of \$1,600.00 for preparation of the easement document to CNP's specifications.
 - d. Motor Control Center – Water Plant No. 1. Mr. Stendahl reported that the final inspection resulted in one remaining item which repairs have been made.
 - e. Wastewater Treatment Plant – Phase 4 Expansion. Construction of the digester basin and chlorine chamber structures is complete. Underground piping installation is nearly complete. The head-works structure is being constructed. Mr. Stendahl directed the Board's attention to Pay Estimate No. 14 in the amount of \$70,846.20 as recommended for payment by Pate Engineers.
 - f. 12" Water Line Adjacent to State Highway 249. The Sandlien easement is in the condemnation process and is the only remaining easement to be acquired for this project.
 - g. Water Well No. 4 Motor Repair. Mr. Stendahl reported that the replacement pump was installed; however, the bacterial tests were unacceptable. Re-disinfection and sampling are scheduled for this week.
 - h. Bond Issue No. 10. Pate will distribute the draft application this week with comments requested by Friday, November 14th.

- i. Conversion to Chloramine Disinfection. The Chloramination project is in design and Pate will conduct an internal review the week of November 10, 2008, followed by a review with the District.
- j. GraceView Sewer Replacement. Requests for construction proposals were sent to four (4) contractors; however, only two (2) responded and both exceeded the \$50,000.00 limit, therefore, no award was made. Mr. Stendahl suggested that the Board may consider public bidding the project separately, or combining it with the State Highway 249 Water Line Project in 90 to 120 days.
- k. Sanitary Sewer Repairs. The Operator had portions of the gravity sewer system cleaned and CCTV inspected earlier this year. A number of repairs felt to be urgent were authorized for repair by Eagle. The remaining repairs will require work by an outside contractor after plans and specifications are prepared for bidding. Pate will present the proposal for the design work.
- l. 33-Acre Cobblestone Tract. Mr. Dunham stated that he wanted to discuss the possibility of funding on a pay as you go on a portion of the 249 waterline project. Mr. Dunham further reported that he has an interested potential buyer considering an auto dealership for the property.
- m. Northern Point Subdivision. Ms. Ognoskie next presented the KB Home development report with respect to Northern Point Subdivision, a copy of which is attached hereto as Exhibit "C". Discussion then ensued regarding the Northern Point Walking Trail and KB's pending reimbursement. Ms. Ognoskie stated that she will do everything in her power to have the NPHOA deed the retention pond back to the District.

[Mr. Dunham departed the meeting at 9:40 p.m.]

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the action items from the Engineer as follows: (i) Pay Estimate No. 8 from Bussell & Sons, LLC for the Water Well No. 6 construction project in the amount of \$6,750.00; (ii) Pay Estimate No. 14 from N&S Construction Co., LP for the Wastewater Treatment Plant Expansion from 0.900 MGD to 1.275 MGD in the amount of \$70,846.20; (iii) approve Pay Estimate No. 3 from Deep South Construction, Inc. for clearing and grubbing for Ashford Grove Subdivision in the amount of \$21,969.00; (iv) approve invoice from Tolunay-Wong Engineers for materials testing services for the construction of the Wastewater Treatment Plant Expansion in the amount of \$894.00; and (v) approve proposal submitted by Pate Engineers for design of sewer rehabilitation construction.

Mr. Stendahl then directed the Board's attention to BL Technology's proposal for addition of a thermo scientific flow meter for Water Plant No. 2 in the amount of

\$16,500.00, as more detailed on Exhibit "D" attached hereto. Director Daniel recused himself from the discussion on this matter stating that his Conflict of Interest Affidavit is on file with the District with respect to his employment by BL Technology. Therefore, upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors voting aye, with the exception of Director Daniel, who abstained, the Board accepted the proposal submitted by BL Technology for the addition of thermo scientific flow meter at Water Plant No. 2.

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report as presented.

[Ms. Ognoskie departed the meeting at 9:50 p.m.]

6. **Recycling Questionnaire.** Ms. Henderson next presented the Board with three quotes received from direct mail houses, copy centers and publishing companies to prepare, distribute and track the returns of 3,000 double-sided recycling questionnaires ranging from \$4,200.00 to \$5,800.00. Discussion ensued regarding the cost and the likelihood of residents actually participating in the program and/or bothering to return the card to express their opinion one way or the other. Mr. Stendahl also questioned some of the facts listed on the reverse of the recycling questionnaire and suggested that Ms. Henderson double check the facts with the National Solid Waste Management Association. It was the consensus of the Board to table a decision on the matter until the next meeting.
7. **Attorney's Report.** Mr. Golden requested that the President convene the meeting in Executive Session to discuss real estate matters under the Attorney's Report.

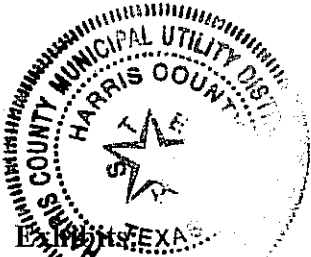
Executive Session. At 10:39 p.m., the President convened the meeting in Executive Session to discuss matters pertaining to real estate negotiations pursuant to Section 551.072. Present for the Executive Session were the members of the Board, Mr. Stendahl, Mr. Golden and Ms. Henderson. At 10:58 p.m., the President ended the Executive Session, stating that no action had been taken, and reconvened the Open Meeting to vote on matters discussed in Executive Session.

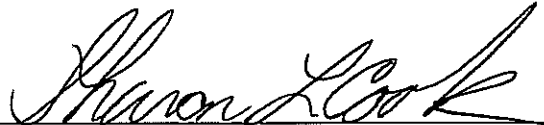
Upon motion by Director Daniel, seconded by Director Cook, the Board authorized the Attorney to file a tax lien, if necessary, on the Sandlien tract.

Upon motion by Director Daniel, seconded by Director Lackey, the Board authorized the Engineer to initiate negotiations with Ferguson and for Ms. Allen to issue an offer letter.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 11:00 p.m.

Passed and approved this 4th day of December, 2008.




Secretary, Board of Directors

- A - Operator's Report
- B - Engineer's Report
- C - KB Home Developer's Report
- D - BL Technology Proposal