

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF MEETING

February 7, 2008

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public at 6:30 p.m., at Graceview Baptist Church, 22510 Tomball Parkway, Tomball, Texas, on Thursday, February 7, 2008, pursuant to the notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code; 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
Michael J. Ward	Treasurer
Allison Dunn	Assistant Secretary

All members of the Board were present. Also attending were: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") for Pate Engineers, Inc. ("Pate"); Andrew Dunn, the District's liaison to the Harris County Constable's Office; Cpl. Mike Swindler of the Harris County Constable's Office, Precinct 4; and Andrew P. Johnson, III and Kaye C. Corprew, attorneys of Johnson Radcliffè Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

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 and declared it open for such business as may come before it at 6:30 p.m.

1. PUBLIC COMMENT. There were no members of the general public present.
2. HARRIS COUNTY CONSTABLE'S REPORT. The President first recognized Cpl. Swindler, who presented and reviewed with the Board, the Crime Statistics Report for the month of January, 2008. [Cpl. Swindler and Mr. Dunn departed the meeting at the conclusion of their report.]
3. MINUTES. Ms. Corprew asked that approval of the minutes be tabled until February 21, 2008 due to the illness of Ms. Henderson.
4. OPERATOR'S REPORT. The President next recognized Mr. Plunkett, who presented and reviewed with the Board, the Operator's Report, a copy of which is attached hereto as Exhibit "A".
 - (a) Monthly Operations. Mr. Plunkett reported that the bill versus produced ratio for the month of December was 91.33% with 3,140 connections. Mr. Plunkett next directed the Board's attention to the Collection Agency Request, a copy of which is attached to the Operator's Report. Mr. Plunkett noted that there were thirty (30)

accounts listed where the customers had moved out and left outstanding balances dating back through May, 2007 ranging from \$12.58 to \$192.38 after security deposits were applied to the outstanding balances. Mr. Plunkett then presented the Termination List for the Board's approval.

- (b) Security Service Fee. Mr. Plunkett next reported that he had received an inquiry from Kids' World regarding the security service fee. Mr. Plunkett explained that the Operator had mistakenly billed the irrigation taps at full costs the first month the new security service fee was implemented. Mr. Plunkett further added that Eagle was in the process of getting this worked out with all of the District's commercial accounts.
- (c) Repairs and/or Replacements at District Facilities. Next, discussion ensued regarding the Ashford Place failed sewer stacks and related reimbursement to 80 Huffsmith Venture. Mr. Stendahl reported that they found sand in all stacks that were excavated, including the one that failed; however, the stabilized sand did not go up as high on the stacks as it should have. Mr. Stendahl stated that it was his recommendation that no further action be taken on this matter since adding more sand to the stacks would require tearing up sidewalks and driveways, which would not be in the District's best interest. In light of this information, Ms. Corprew recommended that the Operator, Attorney and Engineer determine their costs related to this matter and deduct it from the \$367,666.40 withheld for the defective gravity sewer and pay the balance to 80 Huffsmith Venture at the February 21, 2008 Board meeting. The Board agreed with Mr. Stendahl's and Ms. Corprew's recommendations and directed them to the appropriate action.

Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented, authorized termination of service to customers on the Termination List attached thereto in accordance with provisions of the District's Rate Order, and approved the Collection Agency List.

- 5. ENGINEER'S REPORT. The President next recognized Mr. Stendahl, who presented and reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "B". Mr. Stendahl reported the following:

- (a) Water Quality Monitoring. Mr. Stendahl reported that test results were in for the months of December 2007 and January 2008 with respect to Water Well Nos. 2, 3, 4, and 5 and that all values were below detection limits.
- (b) Capital Improvement Report. The Capital Improvement Report (CIP) is being updated in conjunction with the construction funds assessment now underway.
- (c) Operations Meeting. Mr. Stendahl directed the Board's attention to a synopsis of the January 18, 2008 meeting attached to the Engineer's Report. The next meeting is scheduled for February 25, 2008.

- (d) Proposed Water Well No. 6. The Notice to Proceed was issued on January 29, 2008 with a scheduled completion date of December 11, 2008. The topographic survey for the proposed alignment is complete and the design is 40% complete with submittal to the City of Houston targeted for the end of February.
- (e) Water Plant No. 1 – Motor Control Center. Mr. Stendahl reported that the estimated delivery of the Motor Control Center and control components is March 1, 2008.
- (f) Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl presented Pay Request No. 5 from N&S Construction in the amount of \$68,037.55 and Invoice No. 08-1014 from Tolunay-Wong Engineers for testing services in the amount of \$966.00 and recommended payment of each. Mr. Stendahl reported that the expansion project is approximately 24% complete; however, 40% of the contract time has expired including recommended time extension.
- (g) 12" Water Line Adjacent to State Highway 249. Mr. Stendahl reported that Houston Garden Center and the Santikos movie theatre site water line easements have been executed and recorded and that JRPB along with PATE are following up to encourage the remaining landowners to grant the necessary easements.
- (h) Water Well No. 4 Motor Repair. Mr. Stendahl reported that Layne Texas has installed the temporary motor and pump and is in the process of making it operational. Mr. Stendahl further reported that Sun Star Electric has arranged for shipping of the failed motor to its Lubbock facility for examination.
- (i) Bond Issue No. 10. Mr. Stendahl reported that Pate has commenced a list of projects for inclusion in Bond Issue No. 10, including reimbursement of operating funds, additional District projects, and Developer reimbursements. The preliminary size for Bond Issue No. 10 is \$7.0 to \$8.0 million.
- (j) Utility Commitment. Finally, Mr. Stendahl reported that Pate has reviewed and approved a set of site plans for a proposed Valero gas station at the northwest corner of Boudreaux Road and Hufsmith-Kohrville Road and requested approval to issue a Commitment Letter for eight (8) ESCF's.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineering Report as presented as well as approved Pay Request No. 5 to N&S and Invoice No. 08-1014 to Tolunay Wong Engineers, and approved utility commitment for Valero.

- 6. DEVELOPER'S REPORT. There were no developers present.
- 7. GENERAL BUSINESS. The President next directed the Board's attention to general business items, as follows:
 - (a) Kohrville Elementary Weather Bug Program. The Board first considered a request from Amy Shank of the Kohrville Elementary PFO Board to sponsor a

Weather Bug Program at Kohrville Elementary School at a cost of approximately \$12,000.00, a copy of the email requesting participation in the program is attached hereto as Exhibit "D". Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board voted not to participate in the program.

- (b) Payment of Invoices. Ms. Corprew next requested the Board's approval of payment of \$4,678.50 to the David W. and Naomi Collins Revocable Living Trust for their granting of a waterline easement on Solomon Road in connection with Water Well No. 6, as well as approval of payment in the amount of \$19,696.50 to BBSV Investments, Inc. for a waterline easement on the Todd/Link tract required for Water Well No. 6. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the payments as requested.

8. ATTORNEYS REPORT. The President next recognized Ms. Corprew, who presented the Attorneys Report, as follows:

- (a) Order Reviewing Investment Policy and Investment Strategies. Ms. Corprew first presented an Order Reviewing Investment Policy and Investment Strategies, a copy of which is attached hereto as Exhibit "E". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Order as presented.
- (b) Illegal Connection at 11435 Log Cabin Lane. Ms. Corprew next updated the Board on the actions taken on behalf of the District after discovery of the illegal connection. Ms. Corprew distributed a copy of a demand letter forwarded to the Board via email on January 31, 2008, as well as, a copy of the amended letter, dated February 6, 2008, a copy of which is attached hereto as Exhibit "F". Ms. Corprew stated that the Board had the option to file a civil suit in the Justice of Peace Court and press criminal charges under the provisions of the Penal Code. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized Ms. Corprew to pursue the criminal charges on behalf of the Board.
- (c) Engagement of Arbitrage Compliance Specialist. Ms. Corprew explained that the District needs to engage an arbitrage compliance specialist to determine what, if anything, the District needs to pay the Internal Revenue Service for keeping bond proceeds too long and for earning too much interest on tax-exempt bonds. Ms. Corprew further explained that the cost of the arbitrage analysis is difficult to determine without spending time reviewing the outstanding bond issues. The Board deferred any action on this matter until the February 21, 2008 Board meeting.
- (d) Easements. Ms. Corprew then presented and reviewed the Easement Status Chart with the Board, a copy of which is attached hereto as Exhibit "H". Ms. Corprew next directed the Board's attention to the form Bill of Rights letter to be

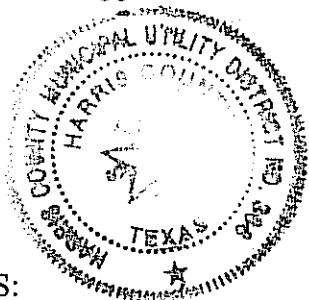
distributed to property owners prior to proceeding with condemnation of a tract, effective February 1, 2008, a copy of which is attached hereto as Exhibit "I". Ms. Corprew next proceeded to update the status of easement negotiations as follows:

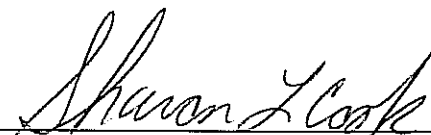
- (1) 12" water line along State Highway 249:
 - A. *Hillegeist Easement Tract.* Ms. Corprew reported that acquisition of the easement was on hold until after the financial discussion at the February 21, 2008 Board meeting and that the Hillegeist have been made aware of this delay. In the meantime, Ms. Corprew stated that she will send the Hillegeist the property owner's Bill of Rights letter and that there was no action necessary by the Board at this time.
 - B. *Condemnation of JR 27909 L.L.C. Easement Tract.* Ms. Corprew reported that she had received an appraisal for \$38,100.00 and that she was also sending the property owners a Bill of Rights letter.
- (2) Cobblestone Offsite Water and Sanitary Sewer Lines, Including Dia-Den Ltd. Easements. In response to the District's offer letter, a copy of which is attached hereto as Exhibit "J", the attorney for Dia-Den Ltd. filed an open records request, a copy of which is attached hereto as Exhibit "K". Discussion ensued as to whether or not the Board wants the Attorney to continue to pursue the easement and obtain an appraisal of the tract or defer any action until the February 21, 2008 Board meeting. It was the consensus of the Board to defer any action until February 21, 2008.
- (3) 12" water transmission line running from Water Plant No. 2 to proposed Water Well No. 6. Ms. Corprew next presented executed easements from David W. and Naomi Collins Revocable Living Trust, BBSV Investment, Inc. and Champ's Utility Service for the Board's acceptance, copies of which are attached hereto as Exhibits "L", "M" and "N", respectively. Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board accepted the easements as presented.
- (4) Aerial Easement for Water Well No. 6. Ms. Corprew reported that her office is in the process of notifying both French and Ferguson regarding the property owners Bill of Rights. Finally, Ms. Corprew distributed copies of various Bill of Rights letters forwarded by her office this day, copies of which are attached hereto as Exhibit "O".

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

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, the President adjourned the meeting at 8:35 p.m.

Passed and approved this 6th day of March, 2008.




Secretary, Board of Directors

EXHIBITS:

- A – Operator's Report
- B – Engineer's Report
- C – Utility Commitment for Valero Corner Store
- D – Email Regarding Weather Bug Program
- E – Order Reviewing Investment Policy
- F – Amended letter dated February 6, 2008 re theft of services
- G – Penal Code Provisions regarding Theft of Services
- H – Easement Status Chart
- I – Form Bill of Rights letter with attachment
- J – Offer letter to Dia-Den Ltd.
- K – Dia-Den Ltd. Open Records Request
- L – David W. and Naomi Collins Revocable Living Trust Easement
- M – BBSV Investments, Inc. (Todd/Link tract next to WP#2) Easement
- N – Champ's Utility Service Easement
- O – Miscellaneous Bill of Rights Letters