

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, April 3, 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, April 3, 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
Michael J. Ward	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present. Consultants in attendance were: Mark T. Stendahl, P.E., consulting engineer for Pate Engineer, Inc. ("Pate") (the "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); 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; Tony Padua of Sam Yager, Inc. ("Willow Falls"); Ron and Julie Grabau and Kaylee Taylor, residents of the District; and Kaye C. Corprew, attorney, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 6:36 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. The President first recognized Mrs. Grabau who addressed the Board regarding alleged water damage to her home. Mrs. Grabau stated that she and her husband recently purchased a house at 19115 Copper Bean Drive and that it had flooded after the Operator turned on the water service. Mrs. Grabau explained that they had no access to get into the house since they had not yet closed on the HUD loan and that apparently the faucets had been open. Mrs. Grabau stated that she has written two (2) letters to the District asserting that the water damage to her house is the District's fault because the District did not follow proper procedures for turning on the water. (Copies of the Grabau letters are attached hereto as Exhibit "A".) Mr. Plunkett arrived at the meeting during Mrs. Grabau's comments and reported that the field operators did indeed follow procedures and found no water going through the meter at the time they turned the water on. Mrs. Grabau stated that she knows that the Board previously denied her request for reimbursement for damages and that she is now requesting that the Board review its procedures for turning on new accounts. [Mr. & Mrs. Grabau and Ms. Taylor departed the meeting at this time.] Discussion of the matter continued and Mr. Plunkett reported that on January 16, 2008 the water was turned on at the residence and that the Operator was not notified until January 29, 2008 that there was a problem. The Operator then removed the meter. After further discussion, the Board decided to stand by its prior decision to deny

compensation for water damages to the house and determined that there was no need to revise the procedures for new accounts.

2. OPERATOR'S REPORT. Mr. Plunkett presented and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "B". Mr. Plunkett reported that the bill vs. produced water accountability rating was 94.00% for the month of March with 3,164 total accounts. Mr. Plunkett also reported that he had submitted the District's Water Smart Application. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented, and authorized termination to the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.

3. ENGINEER'S REPORT. Mr. Stendahl next presented the Engineer's Report, a copy of which is attached hereto as Exhibit "C".

- a. Water Quality Monitoring. Mr. Stendahl reported that the test results for March 2008 for Water Wells 2, 3, 4 and 5 as being non-detects for benzene, toluene, ethyl benzene, or xylene.
- b. Water Well No. 6. Mr. Stendahl reported that the well collector design is 85% complete and that Pate has received comments from the City of Houston and Harris County and is revising plans accordingly.
- c. Water Plant No. 1 – Motor Control Center. The Motor Control Center and controls components have been installed. The ground storage tank has been filled and the bacteriological tests are at the lab.
- d. Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl presented Pay Request No. 7 from N&S Construction in the amount of \$162,833.40 and recommended payment. Mr. Stendahl reported that the project is approximately 30% complete including this payment; however, 53% of the contract time has expired including recommended time extensions. Mr. Stendahl also reported that the Contractor has been reminded twice of the liquidated damages provisions of the contract and has been asked to provide an updated construction schedule. To date, Pate has not received an updated construction schedule from the Contractor. The Board decided to defer approval of this Pay Request until receiving and reviewing the updated construction schedule.
- e. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl reported that the City of Houston will require the water line easements to be in place prior to granting plan approval. Mr. Stendahl further reported that Houston Garden Center and the Santikos movie theatre site water line easements have been executed and recorded.
- f. Water Well No. 4 Motor Repair. Mr. Stendahl reported that the line shaft pump submittals are approved and the pump, column assembly and discharge head are on order.

- g. Soft Start Additions. Mr. Stendahl reported that Electrical Field Services has completed installation of soft start devices on the NorthPointe East storm water lift station, the Ashford Place sewage lift station and Water Well No. 3.
- h. Bond Issue No. 10. Mr. Stendahl presented and reviewed the updated preliminary Bond Issuance Report for Bond Issue No. 10 and specifically directed the Board's attention to items 3, 8, 9, 19 and 20 for additional input.
- i. Water Treatment Plant No. 1 Tank Inspection. The hydro-pneumatic pressure tanks and ground storage tanks were inspected on March 26, 2008 while the Water Treatment Plant was out of service for the installation of the MCC and auto-sensory panel. The initial report indicates that there are structural repairs and coatings replacement needed which will cost from \$185,000 to \$250,000 to complete if done as a single project.
- j. Development Projects:
 - 1) Harris County Street Acceptance Status. Mr. Stendahl presented and reviewed the updated spreadsheet detailing the status of the street acceptance in the District.
 - 2) Ashford Place, Section 4. The Developer anticipates advertising for bids in late 2008 or early 2009.
 - 3) Willow Falls Subdivision.
 - (i) Willow Falls, Section 4. Plans have been approved and are on hold per the Developer's direction. The Developer has not determined a bidding schedule for Section 4.
 - (ii) Willow Falls, Section 5. Plans have been approved by the City of Houston and by Harris County. Bids were opened on April 2, 2008. Mr. Padua reported that fifteen (15) bids were received for water, sewer and drainage construction for Section 5 and requested the Board's approval to accept the low bidder. It was the consensus of the Board to defer approval because they were unfamiliar with the contractor.
 - 4) Northern Point. No update.
- k. Annexation Tracts & Feasibility:
 - 1) 29-Acre Todd Tract (South of Ashford Place). Mr. Stendahl reported that the tract has been purchased by Ismail Bhai and that he intends to sell the 15-acre easterly portion to Klein ISD.

- 2) 55-Acre Woodmere Development Tract (North of Ashford Place). Bids for clearing and grubbing of the tract were opened on March 25, 2008 and the Engineer recommended awarding the contract to the low bidder, Deep South Construction, in the amount of \$166,100.
- 3) Water Plant No. 2 Site and Water Well No. 6 Site. Annexation documents have been filed with the City of Houston.

Upon motion by Director Cook, seconded by Director Ward, with all Directors present voting aye, the Board approved the Engineer's report but none of the requested action items.

4. GENERAL BUSINESS:

- a. Payment of Invoices. There being no invoices presented for payment.
- b. Adopt Order Authorizing Additional 20% Penalty on Delinquent Tax Accounts. The President next called upon Ms. Corprew who first presented the Board with an Order Authorizing Additional 20% Penalty on Delinquent Tax Accounts, a copy of which is attached hereto as Exhibit "D". Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board adopted the Order as presented.
- c. Adopt Order Determining Ad Valorem Tax Exemptions. The Board next considered adoption of an Order Determining Ad Valorem Tax Exemptions, a copy of which is attached hereto as Exhibit "E". Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Order as presented.
- d. Adopt Resolution Authorizing Petition Challenging Appraisal Records. Ms. Corprew next presented the Board with a Resolution Authorizing Petition Challenging Appraisal Records, a copy of which is attached hereto as Exhibit "F". Upon motion by Director Dunn, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented.
- e. Interlocal Agreement for Law Enforcement Services. Ms. Corprew stated that the Board should discuss this matter in Execution Session. The President dismissed all attendees with the exception of the Board and Mr. Dunn.

EXECUTIVE SESSION. At 8:15 p.m., the President convened the meeting in Executive Session pursuant to Section 551.074, deliberations about officers and employees of the governmental body and Section 551.076, deliberations about security personnel or devices. Attending the Executive Session were all members of the Board of Directors, the Attorney and Mr. Dunn.

OPEN SESSION. At 9:22 p.m., the President reconvened the meeting in Open Session to vote on matters discussed in closed session, as necessary. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board authorized the President to send a letter to Harris County Constable, Precinct Four, giving thirty (30) days notice of the need to improve the performance of the sergeant engaged under the Interlocal Agreement for Law Enforcement Services.

5. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who presented the Attorney's Report, as follows:

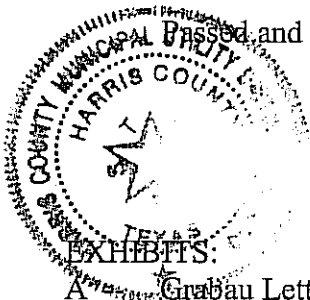
a. Aerial Easement for Water Well No. 6. Ms. Corprew first presented the Board with an easement from Graceview Baptist Church for approval. Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the easement.

b. Triple B Constructors, Inc. Ms. Corprew next reported that she had communicated with Jason Walker regarding Triple B's offer to pay one-half of the District's costs incurred while inspecting and repairing sanitary sewer stacks Triple B constructed in Ashford Place, rather than the full amount, as requested by the District. Discussion ensued and upon motion by Director Ward, seconded by Director Bishop, with all Directors present voting aye, the Board rejected Triple B's offer.

6. MINUTES. The President directed the Board's attention to approval of the minutes of the February 21, 2008, March 6, 2008 and March 20, 2008 Board of Directors meetings. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the three meetings as presented.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 9:36 p.m.

Passed and approved this 17th day of April, 2008.



Shawn Cook
Secretary, Board of Directors

- A -- Grabau Letters
- B -- Operator's Report
- C -- Engineer's Report
- D -- Order Authorizing Additional 20% Penalty on Delinquent Tax Accounts
- E -- Order Determining Ad Valorem Tax Exemptions
- F -- Resolution Authorizing Petition Challenging Appraisal Records