

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting  
April 17, 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 17, 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, thus constituting a quorum. Others in attendance were: Mark T. Stendahl, P.E., consulting engineer and representative of Pate Engineers, Inc. ("Pate") ("Engineer"); Bob Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Katherine Turner of Municipal Accounts & Consulting ("Bookkeeper"); Andrew Dunn, the District's liaison with the Harris County Constable's Office Precinct 4 (the "Constable's Office") and resident of the District; Cpl. Swindler, Sgt. Hill and Lt. Mike Young of the Constable's Office; and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB" or "Attorneys").

The President, after having established a quorum and determined that the Notice of Meeting was posted in accordance to law, called the meeting to order for such business as may properly come before the Board.

1. PUBLIC COMMENT. There was no public comment.
2. CONSTABLE'S REPORT. Mr. Dunn presented and reviewed the Harris County Constable's Patrol Report with the Board. [Mr. Dunn, Lt. Young, Sgt. Hill and Cpl. Swindler departed the meeting at the conclusion of the report.]
3. MINUTES. The Board next considered approval of the April 3, 2008 and April 14, 2008 minutes. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.
4. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared, who presented and reviewed the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto as Exhibit "A." Mr. Leared reported that 92.7% of the District's 2007 tax levy had been collected as of March 31, 2008 with a total of \$339,203.57 of the 2007 levy remaining to be collected. Mr. Leared next presented the Delinquent Taxpayer Roll, a copy of which is attached hereto as Exhibit "B" and stated that the Tax Assessor/Collector will send out notices next month to all delinquent taxpayers notifying them of the additional 20% penalty being added if their accounts are not paid in full by July 1.

Mr. Leared then directed the Board's attention to a letter received from Enterprise Leasing Company SE ("Enterprise") requesting a refund of penalties paid for late payment, a copy of which is attached to the Tax Assessor Collector's Report. Mr. Leared pointed out that Enterprise acknowledged that the delay was caused in their own office in routing the tax statement to the appropriate group for remittance. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented and denied Enterprise's request for a refund of penalties.

5. GENERAL BUSINESS.

- a. *Application No. 10 for Issuance of Bonds.* Mr. Stendahl reported that the numbers have been finalized and Pate will proceed with the Application based upon Discussion Draft No. 6, a copy of which is attached hereto as Exhibit "C." Director Lackey questioned the status of the Northern Point Detention Basin, Phases I and II. Director Lackey stated that Phase I, the north end, has been paid for; however, Phase II, the south end, has not been paid for because KB Home had rehabilitation to do on that portion of the Detention Basin and wanted to know the status. Mr. Stendahl responded that the Detention Basin should be ready for the District to accept at the May 1, 2008 Board meeting.
- b. *Water Well No. 4 Rehabilitation.* Mr. Stendahl reported that work is proceeding as scheduled.
- c. *Water Line Easements Along State Hwy. 249, Including Condemnation Proceedings.* Ms. Corprew presented the Board with a Resolution Authorizing Proceedings in Eminent Domain relating to the JR 27909 LLC easement, a copy of which is attached hereto as Exhibit "D." Ms. Corprew explained that this Resolution will replace the one adopted in December 2007. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented.
- d. *Water Well No. 6 Easement, Including Condemnation of McBride Waterline Easement Along Huffsmith Kohrville.* Ms. Corprew then presented the Board with a Resolution Authorizing Proceedings in Eminent Domain relating to the McBride easement along Huffsmith Kohrville. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented, a copy of which is attached hereto as Exhibit "E." Mr. Stendahl then addressed the need to move forward to get the powerline easement. Mr. Stendahl stated that he has been working with Mr. Ferguson regarding the matter and has suggested a 10' power line and 11' drainage plus vertical power line easement. Mr. Stendahl further suggested the Board obtain an appraisal of all this before deciding whether

to get the drainage easement. [Mr. Leared departed the meeting at this time.]

- e. *Website.* Director Cook reported that she has updated the District's website.
- f. *Repairs to District Facilities.* Mr. Stendahl reported that the Motor Control Center at Water Plant No. 1 is almost complete and is up and running. Mr. Stendahl then presented a Change Order in the amount of \$3,019.00 from Resco Electric for approval. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Change Order as presented, a copy of which is attached hereto as Exhibit "F."

6. DEVELOPMENT REPORT.

- a. *Contract Award for Construction of Water, Sewer and Drainage for Willow Falls, Section 5.* Mr. Stendahl distributed and reviewed the Bidder Qualification Report of the low bidder, Exaro Construction Company ("Exaro"), bid tabs and Pate's recommendation letter presented at the April 3, 2008 Board meeting, copies of which are attached hereto as Exhibit "G." Director Ward stated that he had not heard of their bonding company and since the low bidder has been in business for less than a year, he suggested selecting the second low bidder, Clearwater Construction, whose total base bid was only \$4,551.74 more than Exaro's bid of \$243,305.87. Director Ward went on to state that he had researched Exaro through the use of construction based internet sites on low bidders of previously awarded contracts outside the District and determined that Exaro had been passed over on nine occasions where they had been the low bidder. Ms. Corprew then explained that the law allows municipal utility districts, such as the District, to award a construction contract to any responsible person or persons that, in the Board's judgment, will be most advantageous to the District and result in the best and most economical completion of the District's proposed facilities. Ms. Corprew went on to explain that the Board is not required to select the low bidder. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board determined that awarding the contract to Clearwater Construction ("Clearwater"), the second low bidder, would be the most advantageous to the District and result in the best and most economical completion of the District's proposed facilities and approved the award of the contract to Clearwater.
- b. *Contract Award for Clearing and Grubbing of Ashford Grove.* Mr. Stendahl next presented the Bidder Qualification Report with respect to the Ashford Grove clearing and grubbing, a copy of which is attached hereto as Exhibit "H." Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye,

the Board accepted the recommendation of the Engineer and awarded the contract to the low bidder, Deep South Construction.

- c. *Pay Request from N&S Construction ("N&S") for Wastewater Treatment Plant Expansion Project.* Mr. Stendahl first reminded the Board that N&S was not on schedule and that he had requested an updated completion schedule from the contractor. Mr. Stendahl then reported that he had received the updated schedule from N&S on Tuesday; however, it was incomplete and inaccurate. Mr. Stendahl stated that he, therefore, advised N&S of their deficiencies and that he would report same to the Board at tonight's meeting. Discussion ensued regarding holding N&S' check pending receipt of an acceptable schedule by Mr. Stendahl. The Board also requested that an N&S representative attend the May 1, 2008 Board meeting if they do not address Mr. Stendahl's concerns with their revised schedule. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Pay Request and authorized Mr. Stendahl to hold the check until such time as N&S provides a satisfactory schedule.
- d. *Triple B Construction Contract for Sanitary Sewer Facilities Serving Ashford Place Subdivision.* Ms. Corprew reported that she had informed Triple B's attorney that the District will not negotiate a settlement. Mr. Corprew added that Triple B's attorney requested more detail with regard to the Operator's invoice and that Mr. Plunkett is working on it.

7. BOOKKEEPER'S REPORT. Ms. Turner next reviewed the Bookkeeper's Report and Investment Report, copies of which are attached hereto as Exhibit "I."

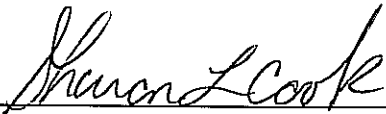
- a. *Quarterly Investment Report.* Ms. Turner then presented and reviewed the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "J."
- b. *Capital Improvement Report.* Discussion then ensued regarding the Capital Improvement Report, copies of which are attached hereto as Exhibit "K."
- c. *Five-Year Capital Improvement Plan.* Mr. Stendahl then presented the Five-Year Capital Improvement Plan, a copy of which is attached hereto as Exhibit "L." Discussion ensued and it was the consensus of the Board that the Five-Year Plan should be reviewed in April and October of each year.
- d. *Draft Budget for Fiscal Year Ending May 31, 2009.* Finally, Ms. Turner presented and reviewed the draft budget for the fiscal year ending May 31, 2009, a copy of which is attached to the Bookkeeper's Report.

Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented and to approve the checks presented therein.

8. ATTORNEY'S REPORT. Ms. Corprew stated that she had nothing further to report.

There being no further business to come before the Board, upon motion by Director Dunn, the President adjourned the meeting at 9:28 p.m.

Passed and approved this 15<sup>th</sup> day of May, 2008.

  
Secretary, Board of Directors

Exhibits:

- A -- Tax Assessor/Collector's Report
- B -- Delinquent Taxpayer Roll
- C -- BIR No. 10 (Discussion Draft No. 6)
- D -- Condemnation Resolution (JR 27909 LLC)
- E -- Condemnation Resolution (McBride)
- F -- Resco Electric Change Order
- G -- Bidder Qualification Report (Exaro)
- H -- Bidder Qualification Report (Deep South Construction)
- I -- Bookkeeper's Report
- J -- Quarterly Investment Report
- K -- Capital Improvement Report
- L -- Five Year Capital Improvement Plan

