

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF MEETING

September 4, 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, September 4, 2008 at the District's designated meeting place within the boundaries of the District located at 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
Allison V. Dunn	Assistant Secretary
Eric Daniel	Treasurer

All members of the Board were present. Consultants in attendance were as follows: Mark T. Stendahl, P.E., consulting engineer; Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Tony Padua of Sam Yager, Inc. ("Willow Falls"); and Andrew P. Johnson, III and Joshua W. Golden of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Other visitors in attendance were as follows: Tom McCasland of Vinson & Elkins; Heather Monteverde of Crest Management ("Crest") (Management Company for Northern Point Homeowners Association); Jason Noland, resident of Northern Point; and Mary Ann Mouldin, President of the Northern Point Homeowners Association ("HOA").

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 6:41 p.m. for such business as may properly come before the Board.

1. NORTHERN POINT DETENTION BASIN. The President first recognized Mr. Johnson who updated the Board and HOA representatives on the conversations and actions that had been taken since the last meeting. Ms. Monteverde explained that she was worried that the \$5,000.00 deposit paid by the HOA has no cap. Mr. Johnson stated that the District does not want to make money from the HOA, but that the \$5,000.00 was requested to protect the interest of the residents of the District. Ms. Monteverde then questioned why the Developer deeded a portion of the detention pond to the HOA. Mr. Johnson suggested that developers sometimes deed property to a HOA to get it off the tax rolls as a money saving technique; however, he has no knowledge of why KB Home deeded this property to the HOA. Discussion then ensued regarding the current ownership of the Detention Pond by the District. Ms. Monteverde then offered a copy of the deed from KB Home to

the HOA for the Board's review. Ms. Mouldin questioned the timeline. Mr. Johnson accepted the executed letter agreement and deposit check on behalf of the Board. Director Lackey asked about the conflicts/consequences of the HOA's ownership of a portion of the detention pond. Mr. Johnson responded that Board will follow the Engineer's recommendation. Mr. Stendahl then described the engineering and operational issues with respect to the detention pond.

2. HOUSTON GARDEN CENTER ("HGC"). Mr. Johnson next introduced Mr. McCasland, attorney for HGC. Mr. Johnson then explained the errors in the statements received by HGC on the first billing after the District initiated the change in its rate structure and that stated errors were brought to the attention of the Operator and corrected. Mr. McCasland explained his client's concern regarding the Rate Order. Mr. McCasland stated that HGC has two connections and is being billed \$20.00 for one and \$100.00 for the other with usage between 2,000 and 7,000 gallons per month and that such rate is fundamentally unfair. Director Lackey explained the added security costs due to the commercial development in the District. Mr. McCasland stated that HGC also objects to tying the security costs to the water rate and that such act is unconstitutional. Mr. Johnson explained the statutory basis for the rate structure and stated that the District had considered 6-10 different analyses and after months of consideration, selected the rate structure that was the fairest assessment on all commercial entities within the District.
3. OPERATOR'S REPORT. Mr. Plunkett presented and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "A". Mr. Plunkett reported that the bill vs. produced rating was 94.39% with a total of 3,218 connections. 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 and authorized termination of service to the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.
4. ENGINEER'S REPORT. Mr. Stendahl next presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".
 - a. Water Quality Monitoring. Mr. Stendahl reported that the test results for August 2008 have been received and the results were all non-detects.
 - b. Stand-by Power Generators. Mr. Stendahl reported that bid packages and requests will be advertised and distributed by September 18, 2008 or earlier.
 - c. Water Well No. 6. Mr. Stendahl reported that the well collector line contract was awarded to C. E. Barker and the preconstruction conference was held today at the Engineer's office. Mr. Stendahl also reported that Bussell & Sons, the well driller, has completed the development and

performance testing of the well and directed the Board's attention to Pay Estimate No. 6 in the amount of \$34,434.00, stating that the project is 45% complete with 50% of the calendar time having expired.

- d. Water Plant No. 1 – Motor Control Center ("MCC"). The MCC and control components have been installed and tested and are in operation.
- e. Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl presented Pay Request No. 11 from N&S Construction in the amount of \$52,331.40 and recommended payment. Mr. Stendahl reported that the project is approximately 58% complete including this payment; however, 73% of the contract time has expired including recommended time extensions.
- f. 12" Water Line Adjacent to State Highway 249. Mr. Stendahl reported that design of the project is approximately 95%. Mr. Stendahl also reported that the Houston Garden Center, Santikos movie theatre site, and Hillegeist water line easements have been executed and recorded, leaving the Sandlien easement for the condemnation process.
- g. Water Well No. 4 Motor Repair. Mr. Stendahl reported that the new well motor pump is on order and will be installed at no cost to the District.
- h. Conversion to Chloramine Disinfection. The project is in design; however, submittals have been delayed until late September.
- i. Emergency Generator Load Cell and Trailer. Mr. Stendahl reported that the load cell and trailer have been ordered and EFS will install the electrical panel and wiring harness for \$500 upon arrival.
- j. Development Projects:
 - 1) Harris County Street Acceptance Status. Mr. Stendahl reported that there have been no changes since the July report.
 - 2) Ashford Grove Subdivision. Mr. Stendahl reported that design of Section 1 and Phase 1 stormwater detention facilities are underway. Deep South Construction, Inc.'s Pay Application No. 2 in the amount of \$39,197.56 for clearing and grubbing is attached for the Board's review and approval.
 - 3) Ashford Place, Section 4. Mr. Stendahl reported that the Developer anticipates advertising for bids in late 2008 or early 2009.
 - 4) Willow Falls Subdivision. The water, sanitary sewer and drainage construction contract for Section 5 has been awarded to Clearwater

Construction, the Attorney has approved the bonds and insurance certificates, and the contract has been forwarded to the Developer for execution.

- 5) Valero Corner Store (Boudreaux Road and Hufsmith-Kohrville Road). Mr. Stendahl reported that the paving, foundations, and underground utility construction are nearly complete and the commercial facility is under construction.

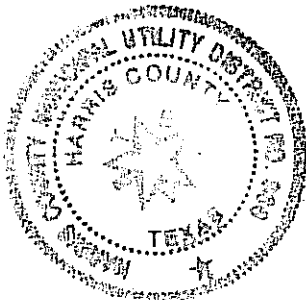
Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board approved Pay Request No. 6 from Bussell & Sons, LLC for the Water Well No. 6 construction project in the amount of \$34,434.00, approved Pay Estimate No. 11 from N&S Construction for the Wastewater Treatment Plant Expansion in the amount of \$52,331.40, approved Invoice No. 08-8039 from Tolunay-Wong Engineers for the Wastewater Treatment Plant Expansion in the amount of \$360.00, approved Pay Estimate No. 2 from Deep South Construction, Inc. for clearing and grubbing in Ashford Grove Subdivision in the amount of \$39,197.56, and approved the Engineer's Report as presented.

5. GENERAL BUSINESS. Discussion next ensued regarding the proposed Residential Recycling Program. Mr. Johnson presented a residential questionnaire to the Board designed to garner the level of participation District-wide for a recycling program.
6. ATTORNEYS REPORT. The President next recognized Mr. Johnson, who presented the Attorney's Report. Mr. Johnson updated the Board with respect to the status of the easement needed for the Water Well #6 Well Collector Line as well as the easements required for the State Highway 249 transmission line. With respect to the JR27909 LLC easement, Mr. Johnson stated that the property owner had agreed to accept the reduced amount and that the condemnation hearing has been cancelled.

Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Attorneys report as presented.

There being no further business to come before the Board, upon motion by Director Bishop, the President adjourned the meeting at 8:03 p.m.

Passed and approved this 2nd day of October, 2008.



Sharon L Cook
Secretary

EXHIBITS:

- A -- Operator's Report
- B -- Engineer's Report