

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting
Thursday, December 3, 2009

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, December 3, 2009 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: Matt Carpenter, E.I.T. of Pate Engineers, Inc. ("Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Gina Ognoskie of KB Home ("Developer"); and Andrew Johnson, attorney, Josh Golden, attorney, and Mirna Jakupovic, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

The President called the meeting to order at 6:55 p.m. and, in accordance with notice posted pursuant to law, copies of Certificates of Posting which are attached hereto as Exhibit "A", the following business was transacted:

- I. **Public Comment.** There was no public comment.
- II. **General Business.**
 - A. **Board Meeting Procedures.** The President recognized Mr. Carpenter who inquired whether the Board had designated the offices of Pate Engineers as the District's regular meeting place. Discussion ensued regarding same after which Mr. Golden suggested the Board designate the offices of Pate Engineers located at 1333 Northwest Freeway, Suite 300, Houston, Texas 77040 as the District's regular meeting place and to authorize Attorneys to publish notice as required by law. Upon motion by Director Lackey, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board voted to designate the offices of Pate Engineers as the District's regular meeting place and to authorize Attorneys to publish notice as required by law.
 - B. **Purchase of Land for Community/Emergency Services Facility.** Director Lackey updated the Board regarding his correspondence with the representatives of the fire department and Emergency Service District 16 and stated that the fire department has decided to lease the facilities at a location outside the District. Director Lackey stated that Cypress Creek Emergency Service District No. 16 ("ESD 16")

will meet on December 16, 2009 and one of the agenda items is discussion regarding possible lease of facilities from the District. Director Lackey added that he and Mr. Johnson are planning on attending the meeting.

III. **Operator's Report.**

The President next recognized Mr. Plunkett who presented and reviewed the Operator's Report, a copy of which is attached hereto as Exhibit "B". Mr. Plunkett reported that the bill vs. produced water accountability rate was 97% with 3,278 total accounts and that the Wastewater Treatment Plant ("WWTP") operated at 43% capacity with no excursions during the month of November. Mr. Plunkett then informed the Board regarding the repairs needed at the WWTP bleach storage tank and requested the Board's authorization of same. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized repairs on the bleach storage tank. Mr. Plunkett next discussed damages to Water Plant No. 2 ("WP 2") caused by the water softener leakage. Mr. Plunkett stated that salt from the water softener caused damages to the walls and electrical components. Director Lackey then reviewed with the Board photographs evidencing the damages. Discussion ensued regarding same after which the Board directed the Operator to contact the manufacturing supplier for the water softener regarding possible reimbursement for the damages caused by the leaking water softener. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board unanimously voted to authorize the Operator's Report as presented. Mr. Plunkett then requested the Board authorize reasonable expenses for repairs and water containment with respect to the water softener equipment. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all Directors present voting aye, the Board authorized reasonable repairs and water containment in connection with the water softener equipment located at WP 2.

IV. **Engineer's Report.**

The President next recognized Mr. Carpenter who presented and reviewed the Engineer's Report with the Board, a copy of which is attached hereto as Exhibit "C".

- A. General District Projects. Mr. Carpenter next reported on the status of projects approved in the Bond Issue No. 10 and stated that Pate Engineers has prepared an estimate of approximately \$15,000 for the construction costs to repair paving deficiencies in Three Lakes East, Section 4. Mr. Carpenter then stated that approximately \$340,291 will be escrowed for Northern Point Phase 2 Detention (\$274,291) and the Waterline Interconnect Relocation (\$66,000). In order for the funds to be released, the District must prove the ownership of the land for the Phase 2 Detention project and that Pate Engineers has received approved plans for the waterline interconnection relocation from Northwest Harris County Municipal Utility District No. 15 ("NWHCMUD 15"). Director Lackey next inquired whether the District's contract with Northwest Harris County Regional Water Authority ("NWHCRWA") contains a liquidated damages provision. Director Lackey added that a liquidated damages provision may be an appropriate incentive for timely completion of the project. Following a discussion regarding the matter, the Board directed the Engineer to obtain information regarding the liquidated

damages provision in connection with the District's contract with NWHCRWA. Mr. Carpenter then suggested that the Operations Committee meet on Wednesday, December 9, 2009, in the office of Pate Engineers so that a representative from Western Data Systems can give a presentation on data collections devices. The Board then agreed to meet on December 9, 2009 in the offices of Pate Engineers and directed the Attorney to prepare and post the meeting Agenda for December 9, 2009.

- B. Water Supply Projects. Mr. Carpenter next updated the Board regarding the chloramine conversion project and the proposed construction schedule. Mr. Carpenter stated the contract for 12-inch Water Line adjacent to State Highway 249 with D.L. Elliott Enterprises, Inc. is ready for the Board's execution and then reviewed the proposed construction schedule with the Board.

Mr. Carpenter next reported on the NWHCMUD No. 15 Waterline Interconnect relocation and stated that Pate Engineers has prepared an exhibit that will be included in the amended Emergency Interconnect Agreement. Mr. Carpenter also reported that NWHCMUD NO. 15's engineer has presented approved plans and a Final Pay Estimate for their portion of the interconnect relocation and has requested plans for the District's portion of the relocation and any costs associated with that work. Mr. Carpenter then stated that Pate Engineers will prepare an exhibit of the work proposed on the District's side of the interconnect and any costs associated with the work.

- C. District Sewer Projects. Mr. Carpenter reported on the Waste Water Treatment Plant – Phase 4 Expansion from 0.900 to 1.275 MGD and stated that the project is approximately 90% complete with 135% of the contract time expended, including days added by Change Order Nos. 1 and 2 and wet days granted.

Mr. Carpenter next stated that the sanitary sewer system contract with Insituform Technologies, Inc. is ready for the Board's execution. Following Mr. Carpenter's review of the proposed construction schedule, the Board requested the Engineer to send letters to residents informing them of the construction.

- D. District Drainage Projects. Mr. Carpenter then reported on the Northern Point Storm Water Detention Basin stating that KB Homes has contracted with Storm Water Solutions to maintain the basin until the detention facility has been properly conveyed to the District.

Mr. Carpenter next informed the Board that Pate Engineers is trying to schedule a meeting with Harris County Flood Control District's ("HCFCD") maintenance group to discuss the realistic expectation of acceptance of drainage channels and detention basins in the District and the potential for participation in HCFCD's mowing expense program.

- E. Development Projects. Mr. Carpenter reported that Pate Engineers is still working with Harris County to have the streets located in Seapines Commercial Subdivision, Sec 1, Northpointe East, Sec. 1, Pinecrest Forest, Sec. 5, and Three Lakes East, Sec. 4 accepted by the County.

Mr. Carpenter next reported on the 33-acre Cobblestone Tract and stated that the easements needed on the south and east sides of the Northpointe East detention are being pursued. Mr. Carpenter added that the Developer has requested an extension of the utility commitment for an additional year. Mr. Carpenter also stated that Pate Engineers has recommended Board approval to extend the utility commitment for one year for the 33-acre Cobblestone Tract.

Mr. Carpenter then reported that Robert Robertson with Klein ISD would like to know what the District will charge for utility service. Mr. Robertson is planning to present the fee calculation and the estimated fees for utility service to the Klein ISD Board in the near future. Mr. Johnson discussed water and sewer rates for non-profit organizations, including Klein ISD, and stated that Klein ISD should pay its pro-rata share of the District's capital contribution. Following a discussion regarding the District's costs, the Board directed the Engineer to calculate and present to the Board the District's improvement costs with respect to Kohrville Elementary school.

Mr. Carpenter then reported that the Developer of the Todd Tract has requested utility service for their site. The site is located outside of the District Boundary at the corner of Huffsmith Kohrville and Lacy Rd. The Board then discussed the District's annexation agreement with respect to the Todd tract and directed the Attorney to verify the provision regarding annexation costs.

Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board (i) authorized execution of the 12-inch Water Line contract with D.L. Elliott Enterprises, Inc.; (ii) authorized execution of the sanitary sewer system contract with Insituform Technologies, Inc.; (iii) authorized one year extension of the utility commitment for the 33-Acre Cobblestone Tract; and (iv) approved the Engineer's Report as presented.

V. Developer's Report.

The President recognized Ms. Ognoskie who reported that KB Home sold five homes in the last month and that KB Home development in the District is complete. Ms. Ognoskie next reported on the deed for Northern Point detention pond stating that KB Home has been working with the Northern Point Homeowner's Association to convey fee simple title to the detention pond to the District, no later than June 2010. [Ms. Ognoskie departed the meeting following her report.]

VI. **Attorney's Report.**

- A. Renewal of option to purchase additional acreage adjacent to Water Well No. 6. Mr. Golden stated that Jolie Lenz, JRPB's real estate attorney, is coordinating with the landowners, Jennings and Carr. Mr. Golden then inquired whether the Board is willing to pursue the issue. Following a discussion, the Board directed the Attorney to pursue the matter without an option.
- B. Emergency Interconnect Agreement with Northwest Harris County MUD No. 15. There were no matters to report.
- C. Technological enhancements to District water system and security. There were no matters to report.
- D. Utility conveyance documentation and payment of developer reimbursements from the Series 2009 bond issue. At the request of the Attorney, the matter was deferred until later in the meeting.
- E. Review and approve Law Enforcement Agreement with the Harris County Commissioners Court. Upon motion by Director Cook, seconded by Director Daniel, after full discussion and with all Directors present voting aye, the Board unanimously voted to approve the Law Enforcement Agreement with the Harris County Commissioners Court.
- F. Discuss and/or amend Rate Order. Mr. Carpenter reported on his estimates with respect to the percentage of surface water which will be delivered to the District by the NHCRWA. Mr. Carpenter stated that the exact percentage is still unknown, but that the estimated amount would fall between 50% and 70%. Mr. Johnson next discussed capital projects costs in connection with NHCRWA and the effect it may have on the District's water rate. Following a discussion regarding the District's and NHCRWA rates, Mr. Johnson suggested the Board table the matter until June.

Executive Session. At 8:18 p.m., the President called an Executive Session at the Attorney's request pursuant to Sections 551.071 and 551.072 of the Open Meetings Act, to discuss matters pertaining to the attorney-client privilege and deliberations on real property, respectively. All meeting attendees were dismissed with the exception of the members of the Board of Directors, Messrs. Johnson and Golden, Ms. Jakupovic and Mr. Carpenter.

Regular Session. At 8:55 p.m., the Board reconvened the meeting in Regular Session, whereupon the President announced no action was taken during the Executive Session.

Mr. Golden then presented for the Board's approval a letter agreement with KB Home regarding the ongoing maintenance of the Northern Point detention pond.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board unanimously voted to approve the Letter agreement with KB Home, as presented, a copy of which is attached hereto as Exhibit "D".

VII. **Consent Agenda:**

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board unanimously voted to: (i) table approval of the November 19, 2009 minutes until the next Board meeting; and (ii) authorize execution of the contract with Compass Bank for the institution of electronic payment options for monthly billings.

VIII. There being no further business to come before the Board, the Board adjourned the meeting at 9:15 p.m.

Passed and approved this 17th day of December, 2009.

Secretary, Board of Directors

Exhibits:

- "A"– Certificates of Posting
- "B"– Operator's Report
- "C"– Engineer's Report
- "D"- Letter Agreement with KB Home