

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, October 16, 2014

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. on Thursday, October 16, 2014 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, thus constituting a quorum. Consultants in attendance were: Matt Carpenter, P.E. of IDS Engineering Group ("IDS" or "Engineer"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Katherine Turner and Maria Felder of Municipal Accounts and Consulting, L.P. ("MAC" or "Bookkeeper"); Kristen Scott of Bob Leared Interests Inc. ("Tax Assessor/Collector"); Andrew Dunn of On-Site Protection, LLC ("On-Site"); Sergeant Romero and Corporal Thomason of the Harris County Precinct 4 Constable's Office ("HCCO"); Cary Dunham of Dungrove, L.L.C. ("Dungrove"); Andrew P. Johnson, III, attorney, Cody Johnson, law clerk, and Mirna Croon, paralegal, of Johnson Petrov LLP ("JP" or "Attorney"). Also present were Steven Wendt of BL Technology, Inc. ("BLTI"); and Jonathan Hill of Spring Waste Services.

The President called the meeting to order at 6:43 p.m., and in accordance with the notice posted pursuant to law, the following business was transacted:

- I. **Public Comment.** There was no public comment.
- II. **Public Hearing on 2014 Tax Rate.** At 6:44 p.m., the President convened the public hearing regarding the 2014 Tax Rate pursuant to notice published by the Tax Assessor/Collector in the Tomball/Magnolia Potpourri on October 1, 2014, a copy of which is attached hereto as Exhibit "A". Ms. Scott noted that the proposed tax rate is \$0.87 per \$100 of Assessed Valuation comprised of \$0.72/\$100 for debt service and \$0.15/\$100 for maintenance and operations tax. After confirming that there were no comments pertaining to the proposed tax rate, the President closed the public hearing on the 2014 tax rate at 6:45 p.m.
 - A. **Adopt Order Setting Rate and Levying Tax for 2014.** Mr. Johnson then presented the Board with the Order Setting Rate and Levying Tax for 2014 (the "Order") for approval, which contained the tax rate of \$0.87 per \$100 of assessed valuation comprised of debt service levy of \$0.72 per \$100 and maintenance tax levy of \$0.15 per \$100 of assessed valuation. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye,

the Board adopted the Order as presented, a copy of which is attached hereto as Exhibit "B".

- B. Appoint Tax Assessor/Collector. Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board adopted the Order Appointing Bob Leared Interests, Inc. as the District's Tax Assessor/Collector as presented, a copy of which is attached hereto as Exhibit "C".
- C. Adopt Amended District Information Form. The Board then discussed approval of an Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "D", which is required to be amended to show the current tax rate, the outstanding debt and the Notice to Purchasers form. All of these records must be recorded in the Harris County Real Property Records (the "HCRPR") and filed with the Texas Commission on Environmental Quality ("TCEQ"). Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Amended and Restated District Information Form, and authorized JP to record same in the HCRPR and file it with the TCEQ, as required by law.
- D. Resolution Regarding Tax Collection Procedures ("Resolution"). Mr. Johnson then explained the necessity of the Board adopting a Resolution to set forth some of the criteria for the District's Tax Assessor/Collector in collecting taxes on behalf of the District, providing for no split payments, no early payments and no early payment discounts. The District has adopted the same procedures in years past. Upon motion by Director Cook, seconded by Director Lackey, 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".

III. General Business.

- A. Dugrove's request for release of escrowed funds. Mr. Johnson first reminded the Board that a part of the Dungrove's reimbursement amount from the Series 2012 Bonds was placed in escrow because Dungrove's self-supporting value at the time the Series 2012 Bonds closed was not sufficient to receive the total reimbursement amount. Mr. Johnson then distributed correspondence from the Financial Advisor, a copy of which is attached hereto as Exhibit "F", stating that according to the Harris County Appraisal District, the 2014 assessed valuation of Dungrove's property is \$13,179,460. Mr. Johnson noted that Dungrove is eligible for the developer's reimbursement in the amount of \$812,015 at this time. Following release of the developer's reimbursement in the amount of \$812,015, Dungrove will have approximately \$20,000 remaining in the Series 2012 escrow account.

Upon motion by Director Dunn, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved release

of the Series 2012 Bonds developer's reimbursement to Dungrove in the amount of \$812,015, as recommended by the District's Financial Advisor.

[Mr. Dunham departed the meeting.]

- B. Emergency Operations and Repairs to District Facilities. There were no matters to report.
- C. Attorney General Antitrust Settlement with RBC Capital Markets, LLC ("RBC"). Mr. Johnson first distributed information relating to litigation between Texas Attorney General ("AG") and RBC and Rathmann & Associates ("RA") relating to alleged antitrust violations including a settlement with RBC which will net the District approximately \$39,074.24 in recovered penalties from RBC. Mr. Johnson reported that RA denied any wrongdoing, filed a counter-suit against the AG, and that RA has recently reached a settlement agreement with the AG. Under the settlement agreement neither RA nor Mr. Rathmann agreed to any wrongdoing. Mr. Johnson stated that Mr. Rathmann is available to meet with the Board to respond to any questions, if needed. Director Lackey reported on his correspondence with Mr. Rathmann after which the Board exhibited 100 percent confidence in RA as Financial Sdvisor for the District.
- D. Changes and Additions to District Website. The Board asked JP to prepare a historical tax information table and post same at the District's website.
- E. Monthly Recycling Report. There was no report presented.
- F. Security and SCADA System projects at Water Plant Nos. 1 and 2 and Lift Station No. 5. The President recognized Mr. Wendt who presented a draft report pertaining to the security system at District facilities. Mr. Wendt discussed possible repairs and/or replacement of the cameras older than five (5) years. Mr. Wendt then responded to the Board's questions regarding the condition of the security system. He also presented a proposal for monitoring of the intrusion system and following discussion, the Board agreed to table its action on the proposal.

[Mr. Wendt departed the meeting following his report.]

- G. Houston Garden Center well status. This matter was tabled.

IV. **Tax Assessor/Collector's Report.** The President recognized Ms. Scott who presented and reviewed the Tax Assessor/Collector's Report for the month of September 2014, a copy of which is attached hereto as Exhibit "G". Ms. Scott reported that 99.457% of the District's 2013 tax levy had been collected as of September 30, 2014.

Ms. Scott reported that Ms. Jennifer Davis has not made a payment toward her 2013 tax balance as required by the Installment Agreement. Her water and sewer account will be tagged for termination unless a full payment is made.

Ms. Scott next presented to and reviewed with the Board the Delinquent Tax Report, a copy of which is attached hereto as Exhibit "H". Ms. Scott pointed out that the water and sewer service for Frances Steele was terminated on October 1, 2014 and as of today no correspondence has been received from the customer. Ms. Scott noted that Ms. Steele is over 65 years old and suggested that a constable visit the property to ensure that Ms. Steele is in good health. The Board agreed and asked Sergeant Romero to send a constable to check on Ms. Steele.

Next, upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board (i) approved the Tax Assessor/Collector's Report; (ii) authorized payment of checks numbered 1017 to 1023 from the Tax Account; and (iii) approved the Delinquent Tax Report.

V. **Security Report.** Sergeant Romero reviewed the Constable's security report for September 2014. Mr. Dunn next reported on crime statistics in the area and presented the On-Site security report, a copy of which is attached hereto as Exhibit "I".

VI. **Bookkeeper's Report.** The President recognized Ms. Turner who reviewed the Bookkeeping Report, a copy of which is attached hereto as Exhibit "J". She also reviewed the Investment Report, a copy of which is attached hereto as Exhibit "J-1". Ms. Turner inquired if the Board would approve a release of check no. 12277 to BLTI in connection with the Water Plant nos. 1 and 2 cyber-security improvements. Director Lackey stated that he cannot recommend that the final payment to BLTI be approved at this time as he needs to inspect the facilities to ensure the improvements are functional. Next, extensive discussion ensued about possibly engaging a project coordinator for the District's projects.

Next, Corporal Thomason entered the meeting and reported that Ms. Frances Steele was transferred to an assisted living facility in Dallas due to family issues and is returning in a couple of days with a nurse. Ms. Steele is currently on dialysis. Discussion ensued, and upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized the Operator to reinstate water and sewer service for Ms. Steele.

The Board then continued its discussion regarding check no. 12277 to BLTI and it was agreed that the check be released to BLTI upon Director Lackey's verification that the project has been completed as specified.

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion, and with all Directors present voting aye, the Board voted to (i) approve the Bookkeeping Report; (ii) approve the Investment Report; and (iii) authorize payment of Check Nos. 12653 through 12743 from the Operating Fund.

VII. **Engineer's Report.** There were no matters to report.

VIII. **Attorney's Report.**

A. Petitions for annexation of 22.9946 Woodmere tract and related documents; Mr. Johnson first presented to and reviewed with the Board the Annexation

Agreement and Reimbursement Agreement in connection with the proposed annexation of the 22.9946 tract owned by Woodmere Development Co., LTD ("Woodmere"). Mr. Johnson next presented to the Board for approval a Petition for Annexation of Land Into District from Woodmere and explained that such Petition is addressed to the District and requests that the District agree to annex the 22.9946 acres. Mr. Johnson then presented for the Board's approval a Petition for Consent to Annex Land into the District, and explained that such Petition is addressed to the City of Houston (the "COH") and is from Woodmere and the District. Copies of the Woodmere annexation documents are attached hereto as Exhibit "K".

- B. Petitions for annexation of HMT LLC tract; Mr. Johnson then presented to and reviewed with the Board the Annexation Agreement and Reimbursement Agreement in connection with the proposed annexation of the 13 tract owned by HMT LLC ("HMT"). Mr. Johnson next presented to the Board for approval a Petition for Annexation of Land Into District from HMT and explained that such Petition is addressed to the District and requests that the District agree to annex the 13 acres. Mr. Johnson then presented for the Board's approval a Petition for Consent to Annex Land into the District, and explained that such Petition is addressed to the City of Houston (the "COH") and is from HMT and the District. Copies of the HMT annexation documents are attached hereto as Exhibit "L".

Next, upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board (i) approved the Annexation Agreement, Reimbursement Agreement, Petition for Annexation of Land into District and Petition for Consent to Annex Land into District for the 22.9946 acre tract owned by Woodmere and authorized JP to submit such annexation documents to the City of Houston for approval; and (ii) approved the Annexation Agreement, Reimbursement Agreement, Petition for Annexation of Land into District and Petition for Consent to Annex Land into District for the 13 acre tract owned by HMT and authorized JP to submit such annexation documents to the City of Houston for approval.

- C. Proposed Water Supply Agreement with HCMUD No. 273. There were no matters to report.
- D. Real Estate matters update; Mr. Johnson presented to and reviewed with the Board the Settlement Agreement between the District and the State of Texas - Texas Transportation Commission pertaining to the drainage easement needed for the Grand Parkway – Segment F-1 construction. The settlement amount paid to the District is \$1,830. Upon motion by Director Daniel, seconded by Director Dunn, after full discussion and with Director Cook abstaining, the Board approved the Settlement Agreement between the District and the State of Texas, a copy of which is attached hereto as Exhibit "M".
- E. Approval of minutes of the October 2, 2014 Board meeting. Upon motion by Director Cook, seconded by Director Dunn, after full discussion and with all

Directors present voting aye, the Board approved the minutes of the October 2, 2014 Board meeting as amended.

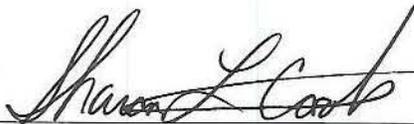
- F. Order Authorizing Additional Meeting Place Outside the Boundaries of the District. The Board next considered the adoption of an Order Authorizing Additional Meeting Place Outside the Boundaries of the District. Mr. Johnson explained that this order was necessary if the Board would like to meet at the On-Site's office to conduct meetings.

Upon motion by Director Cook, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Order, a copy of which is attached hereto as Exhibit "N".

- G. Special meeting. The Board then agreed to meet in special session on November 3, 2014 at 5 p.m. to discuss the security surveillance system.

- IX. Adjournment. With no additional matters before the Board, the Board adjourned the meeting at 9:27 p.m.

Passed and approved this 6th day of November, 2014.


Secretary, Board of Directors

Exhibits:

- "A" Tax Rate Publication
- "B" Order Setting Tax Rate
- "C" Order Appointing Tax Collector
- "D" Amended District Information Form
- "E" Resolution Regarding Tax Collection Procedures
- "F" Dungrove correspondence
- "G" Tax Assessor/Collector's Report
- "H" Delinquent Tax Report
- "I" Security Report
- "J" Bookkeeper's Report
- "J-1" Investment Report
- "K-" Woodmere annexation documents
- "L" HMT annexation documents
- "M" Settlement Agreement with State of Texas
- "N" Order Authorizing Additional Meeting Place