

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

March 16, 2006

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., at Graceview Baptist Church, 22510 Tomball Parkway, Tomball, Texas, on Thursday, March 16, 2006, pursuant to the notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code; 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 Dunn	Assistant Secretary
Michael J. Ward	Treasurer

All members of the Board were present. Also in attendance were: Wendee Gamble of Municipal Accounts & Consulting, L.P. ("Bookkeeper"); Mark Stendahl, P.E. of Pate Engineers, Inc. ("Engineer"), Andrew Dunn, District resident and liaison with the Harris County Constable Department (the "Constable"); and Kaye C. Corprew and Andrew P. Johnson, III, attorneys, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

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 and declared it open for such business as may come before it at 7:00 p.m.

1. PUBLIC COMMENT. There were no public comments.
2. CONSTABLE'S REPORT. The President first recognized Mr. Andrew Dunn, who presented and reviewed with the Board a copy of the Harris County Constable's Report. Mr. Dunn reported that for the month of January, there were no burglaries, three thefts, a couple of disturbances, a number of alarms, and suspicious vehicles and people. For the month of February, there were a couple of family disturbances, thefts of property, and burglaries of motor vehicles. Mr. Dunn also reported that the District would have a replacement Deputy for a while as one of the deputies assigned to the District is having open heart surgery. Mr. Dunn also stated that he would like to pull an extra 4-hour patrol on Friday nights to bring more visibility to the patrols and curtail criminal activity in the District. Mr. Dunn estimated that the extra patrols would cost the District \$25.00 per hour for 32 hours or a total of \$800.00. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Constable's Report, as well as the additional 4 hour patrols on Friday nights for a eight-week period.

3. MINUTES OF PREVIOUS MEETINGS. The Board next considered approval of the minutes of the February 19, 2006 meeting. Upon motion by Director Cook, seconded by Director Lackey, 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 Ms. Corprew, who presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "A," in Mr. Pawlak's absence. Ms. Corprew reviewed the written report and presented checks numbered 1384 through 1429, inclusive, from the Tax Account for approval. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented.

a. Order Authorizing Additional 20% Penalty on Delinquent Tax Accounts. Ms. Corprew next presented an Order Authorizing Additional 20% Penalty on Delinquent Tax Accounts, a copy of which is attached hereto as Exhibit "A-1". Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board adopted the Order as presented.

b. Order Determining Ad Valorem Tax Exemptions. Next, Ms. Corprew presented and Order Determining Ad Valorem Tax Exemptions, a copy of which is attached hereto as Exhibit "A-2". Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board adopted the Order as presented, establishing the same exemptions for 2006 as granted in 2005.

c. Resolution Authorizing Petition Challenging Appraisal Records. Finally, Ms. Corprew presented and reviewed with the Board a Resolution Authorizing Petition Challenging Appraisal Records, a copy of which is attached hereto as Exhibit "A-3". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented.

5. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B". Ms. Gamble presented checks numbered 4772 through 4830, inclusive, for payment from the Operating Account and checks numbered 1385 and 1386 from the Capital Projects Account for approval. Ms. Gamble then reviewed the Investment Report and Funds Balances with the Board, a copy of which is attached to the Bookkeeper's Report. Ms. Gamble reported that she had purchased investments through Wells Fargo Brokerage Services to cover the September 1, 2006 Debt Service payments. Mr. Johnson stated that he will need approximately \$600,000 to purchase treasuries to defease a portion of the District's debt in a couple of weeks. Discussion then ensued regarding developer deposits, particularly, NewQuest Properties and the nature of the expenses incurred in relation to the amount of reimbursement funds held by the District. 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.

Director Dunn then questioned the manner in which security services are charged within the District stating that with the addition of the movie theater to the District will place an unreasonable demand on the security patrol and pull needed deputies away from residential areas. Discussion ensued regarding amending the Rate Order to account for high volume commercial customers. The Board asked the Attorney to put together a proposed rate structure to address the high density commercial customers. Mr. Stendahl added that he would ask Eric Johnson of Pate Engineers, Inc. to invite the developer of the movie theater to the next Board meeting.

The Board next considered amending the budget for the fiscal year ending May 31, 2006 to reflect the addition of the fourth deputy to the Security Service Agreement with the Constable and to increase the election expenses to \$12,000. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board adopted the amended budget.

6. NEW BUSINESS.

a. Wastewater Treatment Plant, Phase 4 Expansion. Next, the President recognized Mr. Stendahl who presented a proposal to perform Professional Engineering for Wastewater Treatment Plant, Phase 4 Expansion. Mr. Stendahl stated that the next module of expansion needs to be on line in the fourth quarter of 2007, which means that the District needs to advertise for bids for the expansion project in the fourth quarter of 2006, and presented a proposal to start the design process. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the President to execute the Agreement for Professional Engineering for Wastewater Treatment Plant, Phase 4 Expansion, a copy of which is attached hereto as Exhibit "C".

b. Estimate for Roof at Wastewater Treatment Plant. This item was tabled until the April meeting.

c. Estimate for Roof at Water Plant. This item was tabled until the April meeting.

7. STATUS OF DISTRICT'S WEB SITE. Director Cook stated that Director Dunn's name needs to be added to the District's web site. Ms. Henderson reported that she will have the official Notices of Election in English, Spanish and Vietnamese added to the web site as well.

8. ATTORNEY'S REPORT.

a. Resolution Authorizing Redemption of Certain Maturities of Series 2001 Bonds. Mr. Johnson gave the Board a brief overview of the tax laws and stated that it would be in the best interest of the District to defease a portion of its

outstanding debt, thereby reducing the Debt Service Fund balance to an amount deemed reasonable coverage in the eyes of the Internal Revenue Service. Upon motion by Director Bishop, 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 D".

b. Reimbursement and Easement Issues with NewQuest Properties for Parkway Chevrolet. Ms. Corprew next updated the Board on the status of the negotiations with the Developer and reported that the Developer and lienholder have both agreed to allow the reimbursement funds to be placed into escrow with the Title Company until all liens are removed from the Property.

c. Negotiations With Industrial TX Corp. ("Industrial") with Respect to Water Plant No. 2 Project. Discussion of this matter was moved to Executive Session.

d. Insurance Renewal. Ms. Corprew reminded the Board that their present insurance coverage expires on May 31, 2006 and asked whether or not the Board wished to receive proposals for renewal from the various insurance carriers. Director Lackey also reported on the new boiler and machinery criteria. The Board directed the Attorney to obtain proposals from at least two insurance agencies.

e. Annexation Agreement with Respect to 33-acre Dungleve, LLC/Douglas Lloyd, LP (Hargrove). Discussion ensued regarding the correct number of acres being annexed and the reimbursable amount. Approval of the Agreement was deferred to the next meeting.

f. Reimbursement Agreement with Respect to 33-acre Dungleve, LLC/Douglas Lloyd, LP (Hargrove). Approval of the Reimbursement Agreement was deferred to the next meeting.

g. Review and Approve Agreement with Harris County Relating to 2006 Directors Election. Ms. Henderson reported that her office still had not received the Agreement from the County.

h. Authorize Payment to Harris County for the Lease of DREs. Ms. Henderson stated that even though Harris County had not furnished the Agreement, it was forthcoming and the District still needed to authorize the payment of the deposit for the lease of the Direct Recording Electronic voting machines (DREs). Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the Bookkeeper to issue a check to Harris County for the deposit on the lease of the DREs.

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

9. EXECUTIVE SESSION. At 9:01 p.m., the President called an Executive Session pursuant to 551.071(a) (1) to seek advice from counsel regarding contract negotiations and potential litigation concerning the District's contract with Industrial to construct Water Plant No. 2. All attendees were dismissed, with the exception of the Board, Engineers and Attorneys. At 9:35 p.m., the President declared the Executive Session over, reconvened the meeting in open session to vote on matters discussed in Executive Session.

There were no actions taken in Executive Session, therefore, no vote was necessary.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, seconded by Director Dunn, with all Directors present voting aye, the President adjourned the meeting at 9:41 p.m.

Passed and approved this 20th day of April, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Tax Assessor/Collector's Report
- A-1 - Order Authorizing Additional 20% Penalty
- A-2 - Order Determining Ad Valorem Tax Exemptions
- A-3 - Resolution Authorizing Petition Challenging Appraisal Records
- B - Bookkeeper's Report
- C - Professional Engineering for Wastewater Treatment Plant, Phase 4 Expansion
- D - Resolution Authorizing Redemption of Certain Maturities of Series 2001 Bonds