

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

April 20, 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, April 20, 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. Consultants in attendance were: Wendee Gamble of Municipal Accounts & Consulting, L.P. ("Bookkeeper"); Ben Pawlak of Bob Leared Interests Inc. ("Tax Assessor/Collector"); Ms. Frankie Barrett, resident of Ezekiel Road; and Kaye C. Corprew, attorney, 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 7:24 p.m.

1. PUBLIC COMMENT. There were no public comments.
2. HARRIS COUNTY CONSTABLE'S REPORT. In the absence of Mr. Dunn, Director Cook reported that she had been stopped by neighbors who complained that gas had been stolen from their cars.
3. MINUTES OF PREVIOUS MEETINGS. The Board next considered approval of the minutes of the March 16, 2006 meeting. 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. Pawlak, who presented the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "A". Mr. Pawlak first reviewed the written report and presented checks numbered 1430 through 1478, inclusive, from the Tax Account for approval. Mr. Pawlak pointed out that the bulk of the checks were for refunds due to adjustments necessitated by corrections to the Harris County Appraisal Roll. Discussion next ensued regarding the number of builders on the delinquent property list. Mr. Pawlak explained that builders typically do not pay, but wait until the property is sold and pay the taxes from the proceeds of the sale.

Mr. Pawlak next reported that he had received a letter from Carlton Hale requesting an extension on his taxes. Mr. Pawlak recommended that the District authorize an installment payment arrangement with Mr. Hale whereby Mr. Hale's taxes, penalty and interest would be split into six installment payments. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the installment agreement with Mr. Hale. [Ms. Barrett entered the meeting at this time.]

Next, Mr. Pawlak updated the Board on the status of his research regarding the mineral property tax which had been assessed to the Ezekiel Road property owners. Mr. Pawlak made particular note of the refund checks being presented to the Board tonight for payment and explained that several of them are to the residents along Ezekiel Road who had paid the District taxes on their mineral interest due to an error by the Harris County Appraisal District (the "HCAD"). Ms. Corprew noted that all of the necessary refund checks had not been included tonight since HCAD has not yet cleared up all of the these accounts but that as soon as the rest of the corrections come through, the District would cut the refund checks for distribution to the Ezekiel Road property owners. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented and approved the checks presented for payment. [Ms. Barrett departed the meeting at this time.]

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 and 4773, then 4831 through 4887, inclusive, for payment on the Operating Account and checks numbered 1387 through 1392, inclusive from the Capital Projects Account as well as approval of a wire transfer to LandAmerica Commonwealth Title of Houston for the developer of the Parkway Chevrolet tract for approval. Director Bishop questioned the amount of the checks to Los Cucos because they were for identical amounts even though the order for the second meeting of the month is for fewer people. Ms. Corprew also noted that the checks for the partial defeasance of the Series 2001 Bonds should not be written from the Capital Projects Fund. Discussion then ensued regarding developer deposits and the status of payment from KB Home. After discussion it was the consensus of the Board that an additional \$7,500 deposit should be requested from Dungrove, LLC for the Cobblestone development tract. Discussion then turned to the manner in which customers are billed for the patrol services provided by the Harris County Constable's Department and whether invoicing is based on actual billable connections or construction connections. The question arose as to whether or not the Operator has been billing the builders for their fair share of the security patrol. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Bookkeepers Report with corrections noted and approved the checks presented for payment.

Ms. Gamble next reviewed the Investment Report and Funds Balances with the Board, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Investment Report as presented.

Ms. Gamble then reviewed the draft Budget for Fiscal Year Ending May 31, 2007 (the "Budget"), a copy of which is attached hereto as Exhibit "D". Director Bishop stated that she had reviewed the draft budget and that she thinks the following changes should be made:

- i) the mineral income should be zeroed out;
- ii) the line items for the North Harris County Regional Water Authority revenues and expenses should reflect that the District is receiving more revenue than it is paying out in expenses;
- iii) the legal fees should remain the same;
- iv) there should be no election expenses for 2007;
- v) the security fee should increase by 5%;
- vi) the budget should be adjusted to reflect that all 5 Directors attend the Association of Water Board Director conferences; and
- vii) the payroll expenses should remain at \$28,600.00.

Director Lackey added that:

- i) a line item of \$100,000 should be added for the District's maintenance building;
- ii) the channels and basin maintenance expense should be increased to \$260,000; and
- iii) \$2,000 should be left in the Budget for the Water Smart Program.

Approval of the Budget was deferred to the May 18, 2006 Board meeting. Discussion then ensued regarding the timing of the District taking over the maintenance of detention facilities constructed by developers and incurring debt for same, particularly through the one-year warranty period. Ms. Corprew suggested that the District assume the responsibility for maintaining drainage facilities as soon as they have been accepted by the District's Engineer with the understanding that the related developer will be backcharged for the associated costs until the one-year warranty period expires and the facility has been purchased from the developer. The Board agreed with this suggestion and directed Ms. Corprew to take the appropriate action to establish this policy, including notifying the developers and the Engineer.

[Mr. Pawlak left the meeting during the Bookkeeper's Report at 8:18 p.m.]

6. REPAIRS TO DISTRICT FACILITIES. Director Lackey reported that the District needs to install a concrete sidewalk in front of the building at Water Plant No. 1 and that Shaw Services will solder out the pedestrian gate.

7. SANTIKOS INVESTMENTS, INC. Director Dunn updated the Board on the status of scheduling a meeting with Mr. John Santikos of Santikos Investments, Inc. to address the Board's concerns regarding security issues associated with his commercial development

project. Director Dunn stated that Shane Campbell from Santikos emailed her regarding scheduling a meeting with the District as well as the Three Lakes East Community Association.

8. ATTORNEY'S REPORT.

a. Insurance Proposals. Ms. Henderson reported that she had requested proposals from the major carriers, AquaSurance, Inc., Anco Wessendorff Insurance Services of Richmond and Texas Municipal League Risk Pool.

b. Reimbursement and Easement Issues with NewQuest Properties ("NewQuest") for Parkway Chevrolet Detention Basin. Ms. Corprew reported that the easement issues and reimbursement had been agreed upon by NewQuest and requested approval to proceed with the closing on the Detention Basin. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the acceptance of the Detention Basin and reimbursement amount to NewQuest, subject to determining that the District's Engineer accepted the Detention Basin.

c. Negotiations with Industrial TX Corp. with Respect to Water Plant No. 2 Project. Discussion regarding the negotiations with Industrial TX Corp. with respect to the Water Plant No. 2 project was tabled for Executive Session.

9. EXECUTIVE SESSION. At 9:25 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 TX Corp. to construct Water Plant No. 2. All attendees were dismissed, with the exception of the Board and Attorneys. At 10:05 p.m., the President declared the Executive Session over and reconvened the meeting in open session where no action was taken.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, seconded by Director Ward, with all Directors present voting aye, the President adjourned the meeting at 10:25 p.m.

Passed and approved this 18th day of May, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report
- C - Investment Report
- D - Draft Budget for Fiscal Year Ending May 31, 2007