

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

June 1, 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 June 1, 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
Michael J. Ward	Treasurer
Allison Dunn	Assistant Secretary

All members of the Board were present. Also attending were Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Eric Johnson, P.E. and Mark Stendahl, P.E. of Pate Engineers, Inc. ("Engineer"); A. J. Sullivan and Tony Padua of Sam Yager, Inc. ("Yager"); Cary Dunham of Cobblestone Construction, Inc. ("Cobblestone"); Dave McGowen of KB Home ("KB"); Andrew Dunn, the District's liaison with Harris County Constable's Office; and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 6:37 p.m.

1. PUBLIC COMMENT. There was no public comment.
2. ELECTION OF OFFICERS. Ms. Corprew reminded the Board that they tabled the election of officers at the May canvass meeting due to the absence of Director Ward since they agreed that all members of the Board should be present to make such a decision. Discussion ensued and upon motion by Director Ward, seconded by Director Dunn, with all Directors present voting aye, the Board decided to keep all officers in their current positions.
3. APPROVE MINUTES. The Board next considered approval of the minutes of the May 4, 2006 meeting. Upon motion by Director Cook, seconded by Director Ward, with all Directors present voting aye, the Board approved the minutes as presented.
4. PAYMENT OF INVOICES. No invoices were presented for payment.
5. OPERATOR'S REPORT. The President next recognized Mr. Plunkett who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A".

a. Report on Monthly Operations. Mr. Plunkett reported that the District had a 97.6% accountability rate with 2,726 accounts. Mr. Plunkett next reported that the groundwater withdrawal permit may need to be amended to increase the District's allotment. The District's total monthly pumpage was 30,056,000 gallons with a pumpage withdrawal balance of 51,216,000 gallons through the end of the permit term, August 31, 2006. Discussion next ensued regarding subsidence of the aquifer which was reported to be 84 feet in the last 7 years. The Operator will continue to monitor the situation. Upon motion by Director Ward, 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 the customers on the Cut-off List pursuant to the terms and procedures set forth in the District's Rate Order.

b. Water Wise Program Participation. Mr. Plunkett next distributed a copy of a letter from the Water Wise Program inquiring as to whether or not the District would be sponsoring an educational program for a 4th or 5th grade class at an estimated cost of \$32.95 per student at Kohrville Elementary School. Discussion ensued and the Board authorized Director Dunn to look into the matter further to determine the school's interest prior to the District expending the funds.

c. Drinking Water Quality Report. Mr. Plunkett next distributed the *Drinking Water Quality Results 2005* (Consumer Confidence Report), a copy of which is attached hereto as "Exhibit A-1" and reminded the Board that the District was required by the Federal Safe Drinking Water Act to send the report to all its customers by July 1 each year. Discussion ensued regarding the Board using the opportunity to provide customers with stickers with the Constable's phone numbers for emergencies. Mr. Dunn stated that he will request the stickers from Constable Hickman's office. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the distribution of the report as the act and deed of the District.

Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized termination of service of delinquent customers in accordance with the provisions of the District's Rate Order.

Mr. Dunham arrived at the meeting at this time.

6. ENGINEER'S REPORT. The President then recognized Messrs. Stendahl and Johnson, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

a. Engineer's Action Items. Mr. Stendahl first directed the Board's attention to Change Order No. 3 with respect to Water Plant No. 2 and explained that the Change Order does not increase the cost nor extend the completion time. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved Change Order No. 3.

Mr. Stendahl next reported that bids were opened on May 30, 2006 for construction of the Trailer-Mounted Engine Generator Set and recommended award to the low bidder, Cummins Southern Plains, Ltd., in the amount of \$78,800. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized award of the Trailer-Mounted Engine Generator Set contract to Cummins Southern Plains, Ltd.

b. Wastewater Treatment Plant Expansion - Phase IV. Mr. Stendahl reported that Pate has begun design of the Wastewater Treatment Plant Expansion Phase IV.

c. Water Plant No. 2 (Industrial TX Corp.). Mr. Stendahl reported that he received an email at 4:00 p.m. this afternoon from Mr. David Haynes of Industrial TX Corp. ("Industrial") stating that the valve had been put back as designed. Discussion ensued regarding the overall status of the Water Plant No. 2 project and Mr. Stendahl confirmed that Industrial still had not achieved the substantial completion stage and liquidated damages are in effect.

d. Bond Application No. 9. Mr. Johnson reported that the Bond Application Report is approximately 50% complete and that a draft should be ready for review by the July 6, 2006 Board meeting.

e. Channel M-122 Maintenance. Mr. Johnson reported that the Engineer is preparing a proposal to prepare the plans for the Boudreaux Road Outfall Channel M-122 Maintenance.

f. Site Development. Mr. Johnson reported that Santikos is ready to pave its commercial site.

7. DEVELOPER'S REPORT. The President then recognized the various developer representatives present who updated the Board on the status of their development as follows:

a. Willow Falls, Section Three. Mr. Padau reported that they are waiting on Harris County to inspect the project and that they are substantially built-out. Mr. Padau further reported that they are running out of homes in Section Two and that the builder will add two products to give homeowners more options. The project take down is six homes per month.

b. Northern Point, Sections Four and Five. Mr. McGowen reported that the builder has between 50 to 70 homes in various stages of construction in Northern Point, Section Four and Five and that they anticipate build out in 18 months.

c. Plans for Dungrove, LLC/Douglas Lloyd, LP proposed annexation tract (Cobblestone tract). Mr. Dunham reported that he has put an additional 50 acres under contract and would like to expand to 100 acres.

Upon motion by Director Ward, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report.

8. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who presented and briefly reviewed with the Board the Attorney's Report as follows:

a. Rate Order Amendment regarding security fees. Discussion ensued regarding a fair way to charge commercial accounts with propensity to place a high demand on the District's security patrol their fair share of the contract costs for the contract deputies. Director Ward suggested utilizing royalty funds to subsidize security costs. Director Bishop noted that the District had not received a royalty check this year and perhaps that source of revenue was gone for the District. The Board decided to undertake further investigation.

b. Directors' Expense Reimbursement Policy. Ms. Corprew next presented and reviewed with the Board a copy of the Resolution Amending Director Fees of Office and District Reimbursement Policy, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Resolution and authorized the President and Secretary to execute and attest, respectively, as the act and deed of the District.

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

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, seconded by Director Cook, with all Directors present voting aye, the President adjourned the meeting at 9:22 p.m.

Passed and approved this 6th day of July, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- A-1- Drinking Water Quality Report
- B - Engineer's Report
- C - Resolution Amending Fees of Office and District Reimbursement Policy