

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

November 2, 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 November 2, 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 Tracy Riley 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"); Christina Cook, resident of the District; 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 6:50 p.m.

1. PUBLIC COMMENTS. There were no public comments.
2. APPROVE MINUTES. The Board first considered approval of minutes of the regular meeting of October 6, 2006, previously distributed to the Board. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 6, 2006 meetings with corrections noted to the Operator's Report.
3. OPERATOR'S REPORT. The President next recognized Mr. Riley who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A".
 - a. Report on Monthly Operations. Mr. Riley reported that the District had a 105.8% accountability rate with 2,879 accounts. Mr. Riley stated that the accountability rate was high due to the meter not recording properly at Water Well No. 4. Mr. Riley then directed the Board's attention to the report included in the Operations Report reflecting the number of connections by subdivision and section and which also lists the total number of lots in each section. Mr. Riley

also reported that the District had received a notice of groundwater credits from the Harris-Galveston Subsidence District.

- b. Repairs and/or replacements at District facilities.
 - i. Next, Mr. Riley reported that the District received a violation notice from the Harris County Public Health & Environmental Services (the "Public Health Department") relating to a sample collected from the Three Lakes Wastewater Treatment Plant – Outfall on September 27th, which showed insufficient chlorine resulting in fecal coliform and fecal streptococcus concentration levels in the effluent above the prescribed limits. A copy of the notice is attached hereto as Exhibit "A-1". Mr. Riley then presented and reviewed with the Board a copy of the Operator's response to the Public Health Department, dated October 25, 2006, a copy of which is attached hereto as Exhibit "A-2".
 - ii. Mr. Riley next reported that the four (4) bearings on blower No. 1 at the Wastewater Treatment Plant needs replacing at an estimated cost of \$2,758.
 - iii. Then Mr. Riley reported that Houston Garden Center had opened with a temporary water connection and that the Operator is waiting on an easement on the frontage to State Highway 249 before permanent service can be given.
- c. Termination of service and/or write-off of delinquent accounts. The Operator next directed the Board's attention to the Cut-off List, a copy of which is attached to the Operator's Report.

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

4. 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 Item(s). The District's Engineer requested the following action be taken by the Board at tonight's meeting: approve Pay Application No. 5 and Final for Ashford Place, Section 3 water, sewer and drainage facilities in the amount of \$7,405.78.
- b. Water Plant No. 2. With regard to the repair of the pump and motor from Water Well No. 4 by Alsay, Inc., Mr. Stendahl reported that he, Mr. Kennedy and Director Lackey visited the Sun Star Electric shop in Lubbock, Texas on October 23, 2006 to observe the re-assembly of the District's motor. Mr. Stendahl explained that there were a number of items that needed to be

addressed and, therefore, it would be another 6 to 8 weeks before Water Well No. 4 is back in service. Mr. Stendahl also stated that continuous operation of Water Well No. 5 has proven to cause excessive draw down in the well, causing the pump to loose prime. Then Mr. Stendahl stated that once No. 4 is back in service, No. 5 will need to be checked out.

c. Trailer Mounted Portable Generator. Director Lackey reported that he and Mr. Stendahl are schedule to travel to Arlington, Texas on November 21st to inspect the District's new trailer-mounted portable generator.

d. Architectural design plans for construction of District maintenance building. Mr. Stendahl reported that Mr. Weiler is approximately 90% complete with the construction plans and a review meeting will occur within the next couple of weeks.

e. Engineering design plans for Wastewater Treatment Plant Expansion, Phase IV, to 1.2 million gallons per day. Mr. Stendahl reported that the design work is nearly complete and a 90% review meeting with the Board President and Operator was held on October 10, 2006. A number of improvements were recommended and the addition of these improvements will delay delivery to the review agencies until mid-November.

f. Boudreaux Road Outfall Drainage Channel Improvements. Mr. Johnson reported that they had received comments from Harris County and that the plans are being revised pursuant to the County's comments.

g. Bond Application No. 9. Mr. Johnson reported that work is approximately 95% complete on Bond Application No. 9. The Engineer is currently completing revisions to the Bond Application to comply with the new Texas commission on Environmental Quality format, which became effective on November 1, 2006.

h. Harris County Street Acceptance Status. Mr. Johnson next presented and reviewed with the Board a status chart for Harris County's acceptance of streets in the District. Mr. Johnson noted that with respect to Northpointe East, Sections 2 and 3, Brazos River Construction has addressed the punch list items and and re-inspection by Harris County was conducted on October 27, 2006. It was reported that all of the punch list items had been taken care of. Mr. Johnson also noted that in Willow Falls, Section 1, the contractor needs to replace the barricade on Creek Pine Land and that punch list items were being completed in Willow Falls, Section 3.

i. Proposed Water Well No. 6 and/or surface water from North Harris County Regional Water Authority (the "RWA"). Mr. Stendahl and Director Lackey met with representatives of RWA to determine if there was any possibility of obtaining surface water in lieu of drilling Water Well No. 6. Mr. Stendahl

stated that, on the other hand, the RWA expressed an interest in purchasing water from the District should the District proceed with drilling Water Well No. 6. Mr. Stendahl suggested having further discussion with the RWA regarding terms of purchasing water from the District and/or their contribution to the cost of the District's new well.

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 as presented, including approval of the Engineering Action Items.

5. DEVELOPERS REPORT. The President next recognized Mr. Padau who reported that there are currently three (3) homebuilders in Willow Falls, Section 3, and that they are looking at the possibility of bringing in an additional homebuilder in Willow Falls, Section 4, to bring that Section along.

6. ATTORNEY'S REPORT. Ms. Corprew next reported that the District was coming upon the deadline for filing the annual continuing disclosure with the national and state repositories and that the District covenanted to make this annual reporting under the various bond orders. Ms. Corprew then requested approval from the Board to make the filing on behalf of the District. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized filing of the annual continuing disclosure report with the national and state repositories and approved the Attorney's Report as presented.

7. EXECUTIVE SESSION. At 8:05 p.m. the President called an Executive Session pursuant to 551.072 to deliberate about real property. All attendees were dismissed, with the exception of the Board, Engineers, Operator, and Attorneys. At 8:07 p.m., the President declared the Executive Session over and declared that no action was required.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Ward, with all Directors present voting aye, the President adjourned the meeting at 8:30 p.m.

Passed and approved this ____ day of December, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- A-1- Notice from the Harris County Public Health & Environmental Services
- A-2- Operator's response to the Harris County Public Health & Environmental Services
- B - Engineer's Report