

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

April 5, 2007

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 April 5, 2007, 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. of Pate Engineers, Inc. ("Engineer"); Mark T. Stendahl, P.E. ("Consulting Engineer"); Andrew Dunn, resident of the District and District liaison with the Harris County Constable Department (the "Constable"); Doug Sebastian of KB Home Houston ("KB"); 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 6:51 p.m.

1. APPROVE MINUTES. The Board first considered approval of the minutes of the March 1, 2007 meeting. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the February 1, 2007 meeting as corrected.

2. NEW BUSINESS. The President then recognized Mr. Sebastian who stated that he had nothing new to report regarding the Northern Point Homeowners Association's plans to install a granite walking trail along the detention pond.

3. CONSTABLE'S REPORT. The President next recognized Mr. Dunn who reported that Cpl. Richard Hill, currently working pursuant to the District's contract with Harris County for law enforcement services, informed him that he is taking the sergeant's exam and upon passing the exam he is hoping to be promoted to sergeant in a short time. Mr. Dunn explained that since the District's contract does not call for a sergeant, shortly after Cpl. Hill passes the sergeant's exam, he will be promoted and moved off of the District's contract unless the District amends its contract to include a sergeant. Mr. Dunn stated that upon investigation,

the cost to keep Cpl. Hill on the District's contract as a sergeant is between \$6,500 and \$7,000 more per year. Mr. Dunn added that he believes it is in the best interest of the District to keep Cpl. Hill on the District's contract once he is promoted. Mr. Dunn explained that the additional funds would not become due until Cpl. Hill is actually promoted. Mr. Dunn then clarified his request in that he would like the Board to authorize him to take action at the time Cpl. Hill is promoted to sergeant to keep him on the District's contract but that the contract would not actually be amended until the promotion occurs. Director Lackey stated that it is recommended that the District have a sergeant with five deputies, but it is not mandatory until the District has six deputies. Director Lackey added that the District currently has five deputies on its contract. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized Mr. Dunn to intercede in keeping Cpl. Hill on the District's contract. [Mr. Dunn departed the meeting at 7:25 p.m.]

4. 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 90.92% accountability rate with 2957 accounts.

b. Discharge Monitoring Report. Mr. Plunkett next presented the form to be executed by the President of the Board for participation in the STEERS program for electronic filing of the Discharge Monitoring Report, a copy of which is attached hereto as Exhibit "B".

c. Repairs to District Facilities. Mr. Plunkett next reported that booster pump No. 1 has been repaired and reinstalled and that the contractor has moved on site at Water Plant No. 2 to lower the pump bowl of Water Well No. 5.

d. North Harris County Regional Water Authority. Mr. Plunkett also mentioned that he had received a notice from the North Harris County Regional Water Authority ("NHCRWA") requesting that the Operator and Engineer work with the NHCRWA on a strategy for converting to surface water. A copy of NHCRWA's letter is attached hereto as Exhibit "C".

e. Consumer Confidence Reports. Mr. Plunkett reported that he should have the Consumer Confidence Reports ready for review by the Board at the May 5, 2007 meeting and noted that the report must be mailed to all of the Districts before July 1, 2007.

f. Houston Gardens Center. Mr. Plunkett reported that the offsite easements have been completed and that the property has been staked for the water line to serve Houston Gardens Center. Ms. Corprew added that she has not received the executed easement back from Houston Garden Center. Discussion then ensued regarding the logistics of installing the water line. Mr. Plunkett stated that he would pull together the costs for the tap fee for Houston Garden Center.

g. Termination of Service and/or Write-Off of Delinquent Accounts. Finally, the Operator 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 Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized the termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order.

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

a. Water Quality Monitoring. Mr. Stendahl first stated that there were no harmful chemicals detected in water samples taken on March 15, 2007 at any of the District's water wells.

b. Water Well No. 5. Mr. Stendahl next recalled that the contract to repair Water Well No. 5 had been awarded to Bussell & Sons to lower the pump bowl. Mr. Stendahl explained that the contract and insurance documents have been reviewed and approved by the District's Attorney and a notice to proceed had been issued on March 16, 2007.

c. District Maintenance Building. Mr. Stendahl next noted that a pre-construction meeting had been held on March 29, 2007 at the architect's office for the contract to construct the maintenance building at Water Plant No. 1.

d. Motor Control Center (Water Plant No. 1). Mr. Stendahl reported that the electrical engineer for the motor control center project at Water Plant No. 1, Mr. Gary Willison, is approximately 90% complete, and a meeting is planned for next week to conclude the communications issue between Water Plant No. 1 and the new well.

e. Channel M-122 Maintenance. Mr. Johnson reported that bids for the maintenance of Drainage Channel M-122 had been opened on March 22, 2007 and directed the Board's attention to the bid tabulation attached to the Engineer's Report. Mr. Johnson then stated that his recommendation is to award the contract for the Channel M-122 maintenance project to the low bidder, Cross Contracting Services, Ltd.

f. Bond Application Report. Mr. Johnson then provided the Board with an update of the status of the application for the ninth issue of bonds (the "Bond Application Report"). Director Cook questioned Mr. Johnson regarding item No. 11 for the reimbursement of developer for costs of protesting Tropical Storm Allison flood plain map as well as Item No. 14 regarding reimbursement of developer for pollution prevention measures. Mr. Johnson explained the

reimbursements sought by the developers and stated that they are reimbursable items under the rules of the Texas Commission on Environmental Quality. The Board then discussed the line item for three portable generators and Director Cook stated that she is not comfortable with the generators being included in the Bond Application Report when they have only been mentioned in passing and no one has demonstrated their need. The Board requested Mr. Stendahl to prepare a report regarding the need for the additional portable generators and that the Bond Application Report be modified to include only two portable generators. Director Bishop next requested clarification regarding surplus funds expenditures. Ms. Corprew responded that the Attorney is preparing an Application for Release of Surplus Funds in the amount of \$3,800,000, as previously authorized, to be filed along with the Bond Application Report, which will reduce the amount of the bond issue by \$3,800,000.

g. 12" Water Line Adjacent to State Highway 249. Next, Mr. Johnson reported that all easement descriptions for the 12" Water Line project have been completed, and the District's Attorney has transmitted the complete easement documents to the landowners for execution.

h. Street Acceptance. Mr. Johnson next presented and reviewed with the Board the updated chart showing the status of street acceptance by Harris County for maintenance. Mr. Johnson reported that Willow Falls, Section 1, passed all inspections and that another inspection has been scheduled for Pinecrest Forest, Section 10. Director Dunn questioned the date reflected on the report regarding Northpointe East, Section 2 and the commencement of the one-year warranty period. Mr. Johnson explained the review process and stated that it takes approximately two and one-half years after the contractor moves off site for Harris County to take over maintenance of the street.

i. 68-Acre NewQuest Tract. Mr. Johnson reported that Mr. Saib Saour of Benchmark Engineering, the engineer for Harris County Municipal Utility District No. 273 ("MUD 273"), contacted the District's Engineer regarding the 68-acre NewQuest Tract located within MUD 272. Mr. Saour had inquired about water and wastewater capacity to serve 700 equivalent single-family connections.

j. Facility Improvements. Mr. Stendahl next presented and reviewed with the Board a spreadsheet that he prepared to serve as a tracking system of the District's facilities, a copy of which is attached hereto as Exhibit "D". Mr. Stendahl asked that the Board review the spreadsheet over the next couple of weeks to see if there are any additional items that should be included.

k. Water Plant No. 2. Director Lackey reported that the air conditioning unit has been installed at the Water Plant No. 2 building and that prior to installing the new air conditioning unit, the existing air conditioning unit failed at Water Plant

No. 2 so that it is no longer available for installing at the Wastewater Treatment Plant, as planned.

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the award of the Channel M-122 Maintenance Contract to Cross Contracting Service, Ltd.

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

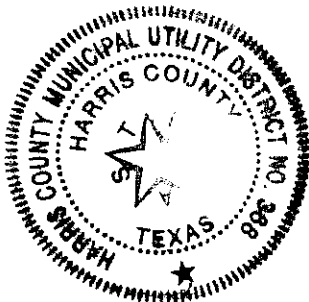
6. DEVELOPERS REPORT. The President next recognized Mr. Sebastian who reported that there had been three closings last month leaving only 90 lots left in the Northern Point Subdivision. Mr. Sebastian reported that the Northern Point Homeowners Association is still considering the crushed granite walking trail along the Detention Pond. [Mr. Sebastian departed the meeting at this time.]


7. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who presented and reviewed with the Board the Attorney's Report. Ms. Corprew reported that there is no additional information to report regarding negotiations with the North Harris County Regional Water Authority for the Groundwater Transfer Agreement. Ms. Corprew then requested permission for her firm to prepare a media information package to be utilized in communications with the press. Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the preparation of the media information package.

8. EXECUTIVE SESSION. At 9:40 p.m., the President called an Executive Session pursuant to 551.072, Texas Government Code, to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site acquisition and 551.071, Texas Government Code, regarding potential litigation regarding contamination of Water Well No. 1. All attendees were dismissed, with the exception of the Board, Engineers and Attorneys. At 9:58 p.m., the President declared the Executive Session over and reconvened the meeting in open session where no action on such matters was taken.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, the President adjourned the meeting at 10:04 p.m.

Passed and approved this 17th day of June 2007.




Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B Discharge Monitoring Report
- C. NHRWA letter regarding Conversion to Surface Water
- D - Engineer's Report
- E. Summary of District Project