

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

June 28, 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 Thursday, June 28, 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"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") and Teague Harris of Pate Engineers, Inc. ("Pate"); Tony Padau of Willow Falls, Ltd. ("Willow Falls"); and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney") ("JRPB").

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 6:35 p.m.

1. PUBLIC COMMENT. No members of the general public were present.
2. APPROVE MINUTES. The Board then considered approval of the minutes of the June 7, 2007 meeting and June 18, 2007 Board meetings previously distributed to the Board. Mr. Plunkett and Director Bishop made corrections to the minutes of the June 7, 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 June 7, 2007 and June 18, 2007 meetings with corrections noted.
3. 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 95.21% accountability rate with 3,007 accounts.
 - b. Miscellaneous. Mr. Plunkett reported that he had received an invoice for \$525.00 from the Boy Scout Troop No. 1491 for painting thirty-five (35) hydrants in the District.

- c. Termination of Service and/or Write-Off of Delinquent Accounts. Mr. Plunkett 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 Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and payment to the Boy Scouts, authorized termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order.

4. ENGINEER'S REPORT. The President then recognized Mr. Harris, who first presented a letter addressed Robert Cummins who works in the Districts Section of the Texas Commission on Environmental Quality ("TCEQ") regarding Ashford Place, Section 1, water, sewer and drainage facilities, a copy of which is attached hereto as Exhibit "B". Mr. Harris updated the Board on the history of the project and the preparation for the bidding process and explained that when preparing the Application for Bond Issue No. 9, Pate had discovered a problem with the bidding process for this project. Mr. Harris went on to explain the problem and that his letter sets forth the issues and that this has never happened in Pate history. Mr. Harris then presented a draft letter from the District to the TCEQ, a copy of which is attached hereto as Exhibit "C", which states that the Board believes that there had been no intent to circumvent the public bidding process and that the Board is confident that the low bidder had been awarded the project. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the letters and authorized the execution of the letter from the District to the TCEQ.

Mr. Stendahl then presented and reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "D," as follows:

- a. Power Consumption. Mr. Stendahl first reported on the criteria for reduction of power consumption by utility districts as presented at the Association of Water Board Directors Summer Conference.
- b. Capital Improvement Report. Mr. Stendahl then presented the Capital Improvement Report, a copy of which is attached to the Engineer's Report, and reported that this report will be continuously updated to keep the Board informed of on-going construction, current utility design work and improvements needed in the foreseeable future. Mr. Stendahl stated that the Well No. 5 rehabilitation and the ditch rehabilitation will be removed from the report as those items have been completed and paid in full.
- c. GASB 34 Information. Mr. Stendahl reported that he is meeting with the District's auditor, McCall Gibson & Associates, next week to start the comprehensive inventory of District's facilities with the goal to be complete before the audit for the fiscal year ended May 31, 2007 is finalized.

- d. Motor Control Center (Water Plant No. 1). Mr. Stendahl then reported that the pre-bid conference for the motor control center project will be held on July 9, 2007 and bids will be opened on July 17, 2007.
- e. Wastewater Treatment Plant ("WWTP") – Phase 4 Expansion. Mr. Stendahl next reported that the pre-construction meeting for the WWTP expansion project had been held on June 27, 2007. Notice to proceed will be dated July 9, 2007 and the completion date will be November 1, 2008.
- f. 2008 TPDES Wastewater Discharge Permit Renewal. Mr. Stendahl stated that the application for renewal of the District's discharge permit is being prepared and requested.
- g. 12" Water Line Adjacent to State Highway 249 ("Highway 249"). Mr. Stendahl then reported that the District has acquired the Houston Garden Center waterline easement for a portion of the line to be constructed along Highway 249 but that there are other necessary easements that must be obtained before the project can proceed.
- h. Street Acceptance. Mr. Stendahl presented an updated summary sheet detailing the status of streets that are currently in the process of being inspected and accepted by Harris County, a copy of which is attached to the Engineer's Report.
- i. Channel M-122 Maintenance. Mr. Stendahl reported that the final walk through of the channel M-22 Maintenance Project had been conducted on June 7, 2007 and deemed complete. Mr. Stendahl presented Pay Estimate No. 2 in the amount of \$8,818.00 for final payment.
- j. Water Well No. 4 Repair. Mr. Stendahl next reviewed with the Board the calculations made of the extraordinary costs incurred by the District while overseeing the repair of the Water Well No. 4 pump motor by Alsay Incorporated ("Alsay"). Mr. Stendahl recommended that the District deduct \$13,361.70 from the balance due to Alsay. Mr. Stendahl then presented to the Board for approval a letter transmitting the final payment of \$8,528.30 to Alsay.
- k. 55-Acre Gallegos/Todd Tract. Mr. Stendahl requested feedback concerning the Board's intentions regarding possible annexation of the 55-acre Gallegos Tract north of Ashford Place. Mr. Stendahl explained that the Board had previously approved an annexation feasibility study in early 2005, but formal application for annexation had never been made by the property owner. It was the consensus of the Board that the tract is still in the District's master plan and that it would consider an application for annexation and service.
- l. Northwest Harris County Municipal Utility District No. 15 ("Northwest 15"). Director Lackey reported that there is a possibility that Northwest 15 will need to purchase water from the District through the existing interconnect due to a

problem with their water well. Mr. Plunkett reminded the Board that Water Plant No. 1 will be taken down over the winter for repairs.

Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Engineer's report and Pay Estimate No. 2 for Channel M-122 Maintenance, authorized the President to execute the application for renewal of the TPDES permit for the WWTP, authorized final payment of \$8,818.00 to Alsay and circulation of check for final payment, and authorized Director Lackey to execute the letter to Alsay regarding payment.

5. DEVELOPER'S REPORT. The President next recognized the various developers present who reported the following:

a. Cobblestone. Mr. Stendahl reported that they had a meeting with the developers from Las Vegas last week and that the proposed development project for the Cobblestone tract appears to be favorable for the District and is moving forward.

b. Willow Falls. With regard to the Willow Falls subdivision, Mr. Padau reported that sales are still sluggish, however, they are looking at starting construction in Section 5 next month.

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who stated that some of the items under her report, including the Water Well No. 6 site, should be discussed in executive session.

a. Proposed Service to NewQuest Development. Ms. Corprew distributed a letter prepared by Mr. Andrew Johnson of JRPB regarding proposed service to NewQuest Development, a copy of which is attached hereto as Exhibit "E," as directed at a prior Board meeting.

b. Waterline Easements. Ms. Corprew presented the Water Line Easement from Houston Garden Center for acceptance and execution, a copy of which is attached hereto as Exhibit "F".

c. Potential Litigation Regarding Damages to Water Well No. 1. Ms. Corprew stated that this matter should be deferred to Executive Session.

d. Interlocal Agreement with Harris County (the "County"). Ms. Corprew presented the Amended Interlocal Agreement for Law Enforcement Services with the County promoting Cpl. Richard Hill to Sergeant for execution by the Board, a copy of which is attached hereto as Exhibit "G".

Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Attorney's report and authorized execution of the Waterline Easement and Interlocal Agreement as presented.

[Mr. Harris, Mr. Plunkett and Mr. Padua departed the meeting at 8:16 p.m.]

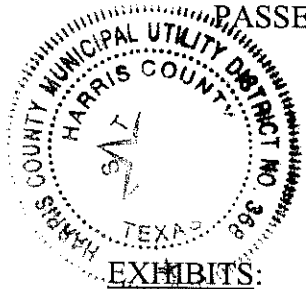
7. EXECUTIVE SESSION. At 8:17 p.m., the President called an Executive Session pursuant to Section 551.071 and 551.072 of the Texas Government Code, of the Open Meetings Act, to discuss matters within attorney-client privilege, including real estate matters and potential litigation. Attendees for the executive session were the Board, the Engineer, Attorney and Operator.

8. RECONVENE IN OPEN SESSION. At 9:00 p.m., the President declared the Executive Session over and reconvened the meeting in open session. Upon motion by Director Ward, seconded by Director Cook and with all Directors present voting aye, the Board authorized proceeding with negotiations for Water Well No. 6 site.

9. Mr. Stendahl next requested authorization from the Board to proceed with the soil testing for contaminants as soon as an agreement is in place for purchase of a Water Well No. 6 site. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized Mr. Stendahl to contract for the soil testing as expeditiously as possible.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, the President adjourned the meeting at 9:05 p.m.

PASSED AND APPROVED this 26th day of July, 2007.




Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Letter to Robert Cummins
- C - Letter from District to TCEQ
- D - Engineer's Report
- E - Letter to NewQuest
- F - Houston Garden Center Easement
- G - Amended Interlocal Agreement w/Harris County