

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

July 26, 2007

The Board of Directors (the "Board") of the Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, July 26, 2007 at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, 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 V. Dunn	Assistant Secretary

All members of the Board were present. Consultants in attendance were: Wendee Gamble of Municipal Accounts & Consulting ("Bookkeeper"); Andrew Dunn, District resident and liaison with Harris County Constable's Office (the "Constable"); Ray Wathen of Crime Stoppers of Houston, Inc. ("Crime Stoppers"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") and representative of Pate Engineers, Inc. ("Pate"); and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("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 at 6:55 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. There was no public comment.
2. CONSTABLE'S REPORT.
 - a. *Reward for Information Leading to Arrest(s).* The President first recognized Mr. Ray Wathen of Crime Stoppers. Mr. Wathen distributed a brochure about Crime Stoppers to the Board, a copy of which is attached as Exhibit "A", and reported some basic facts regarding Crime Stoppers. Discussion then ensued regarding ways in which the District can participate in the rewards program to assist deputies in solving crimes in the District. Mr. Wathen stated that Crime Stoppers will pay for credible tips leading to the arrest of suspects in any felony and that the reward monies are funded through private donations, grants and fundraisers. Mr. Wathen suggested that if there is a particular felony crime committed in the District that the District would like assistance from Crime Stoppers in solving, they could offer an additional reward, which amount would be added to the Crime Stoppers award the District could reimburse Crime Stoppers for all or part of any rewards paid out that contributed to cases being

solved in the District. Director Lackey stated that the Board would table a decision on this matter until a future date. [Mr. Wathen departed the meeting at 7:49 p.m.]

- b. *Security Equipment for Patrol Officers.* The President next recognized Mr. Dunn who reviewed with the Board, the list of security equipment he is requesting the District purchase to assist the deputies in solving crimes and patrolling the District. A copy of the list and addendum thereto is attached hereto as Exhibit "B." Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the purchase of security equipment in an amount not to exceed \$7,000.00.
 - c. *Harris County Constable's Report.* Mr. Dunn next reviewed the Harris County Constable's Report with the Board and reported that there were 109 calls for service in the contract last month with two felony arrests and one misdemeanor arrest.
 - d. *Amendment to Interlocal Agreement for Law Enforcement Services with Harris County (the "Interlocal Agreement").* Discussion next ensued regarding the need for additional patrol services since the Santikos movie theatre is scheduled to open in November 1, 2007. Mr. Dunn explained that should the Board decide to add more deputies to the District's Interlocal Agreement, the Constable will need two to three months to prepare new deputies for duty in the District since there is a shortage of deputies. Director Lackey stated that in order to not impact the existing areas of patrol, there is a need for an additional three (3) deputies to patrol the commercial areas of the District. Discussion ensued regarding methods of paying for the additional patrol officers. It was the consensus of the Board to conduct a workshop with the Board of Directors, Financial Advisor, Bookkeeper and Attorney present to discuss the long-term funding of the additional patrol officers. The Board discussed funding the additional deputies for the interim period from the District's general fund in order to get the deputies on the District's Interlocal Agreement by October 1, 2007. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the Attorney to notify Harris County Precinct Four that the Board desires to amend the Interlocal Agreement to add three (3) deputies to the District's contract, effective October 1, 2007.
3. MINUTES OF JUNE 28, 2007 and JULY 14, 2007 MEETINGS. The Board tabled approval of the minutes until the August 2, 2007 Board meeting.
 4. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared, who first presented a request for a payment agreement from a Mr. and Mrs. Nadia A. and Yeimym Jara. Mr. Leared stated that the prior years taxes for this property have been paid and it is only the 2006 taxes that are delinquent. Mr. Leared went on to state that the payment plan is designed to have the Jaras complete the 2006 taxes prior to the 2007 taxes becoming due. Mr. Leared next presented and reviewed

with the Board, the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Dunn, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, authorized checks numbered 1601 through 1608, inclusive, from the Tax Account, and approved the installment agreement with Mr. and Mrs. Jara.

5. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's, a copy of which report is attached hereto as Exhibit "D" and the Quarterly Investment Report, a copy of which is attached as Exhibit "E". Ms. Gamble reviewed the receipts and expenditures, then reviewed the fund balances and Year-to-Date Budget. Ms. Gamble explained that the payment to L. B. Guyton for site examination for Water Well No. 6 had not been included on the Bookkeeper's Report. Discussion then ensued regarding the Developer Deposit Recap and whether or not there is a need to bill certain developers for an additional deposit and refund other developers for amounts remaining on deposit. It was the consensus of the Board that the developers with funds remaining on deposit that are no longer building in the District should have the deposits held until the reimbursement audit is performed and/or until the streets in their subdivision are accepted by Harris County for maintenance. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented, authorized the payment of the District's bills, including the payment to L.B. Guyton, and authorized moving the balance due of \$237.90 on the 68-acre NewQuest tract account to non-collectibles.

6. NEW BUSINESS.
 - a. *District's Long-range Plan.* The Board tabled this discussion until the Workshop scheduled to discuss funding for the additional deputies.

 - b. *Rate Order Amendment.* Ms. Corprew stated that this item should be deferred until after the Workshop.

 - c. *Contract for Electrical Service.* Ms. Corprew stated that Mr. Lewis with American Enerpower, Inc. is on vacation and unable to attend tonight's meeting but that he had spoken with Director Lackey about renewing the District's contract since electricity rates are lower right now than they have been since January 2007. Discussion ensued and it was the consensus of the Board to table the matter until such time as Mr. Lewis could meet with the Board and present his proposal.

 - d. *Neighborhood Recycling Program.* Director Lackey stated that he had been approached by a resident of the District, Jerald Wolfe, who works for a recycling company about instituting a recycling program in the District. Director Lackey stated that he had also spoken with the District's current garbage company, Waste Corporation of Texas L.P. (the "WCA"), regarding the costs of instituting a

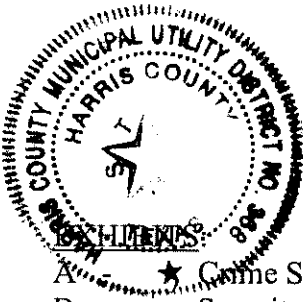
recycling program within the District. Discussion next ensued regarding whether or not the residents would utilize a recycling service. Director Bishop expressed concern that not enough residents would participate and the additional cost would be burdensome. Director Lackey stated that WCA would charge the District approximately \$2.00 per connection with a minimum 3-year contract to recoup the cost of their providing receptacles for the recycling. Mr. Stendahl suggested that the District approach a few of the commercial customers about placing a recycling dumpster on their parking lot for the residents use thereby eliminating the costs for purchasing the receptacles and the need to enter into a long-term contract without knowing the participation level of the residents. Director Lackey suggested that the Board send out another flier and ask the residents whether or not they would use a recycling service and would be willing to pay for it. Due to the lateness of the hour, the Board decided to continue the discussion at a later date.

7. ATTORNEYS' REPORT. The President next recognized Ms. Corprew, who presented the Attorney's Report as follows:
 - a. *Proposed Water Well No. 6 and/or Purchase of Surface Water from North Harris County Regional Water Authority.* Ms. Corprew reported that she had not received a response from the property owner from whom the District is attempting to purchase the well site. [Ms. Gamble departed the meeting at 10:42 p.m.]
 - b. *State Highway 249 Waterline Easements.* Ms. Corprew stated that she did not have any additional information to report with respect to the 249 Waterline Easements.
 - c. *Conflicts Disclosure update.* Ms. Corprew next distributed and reviewed a memorandum from JRPB discussing the new rules regarding conflict disclosures. A copy of such memorandum is attached hereto as Exhibit "F".
 - d. *2007 Legislative Update.* Then, Ms. Corprew distributed a memorandum from JRPB summarizing bills passed during the 80th Legislative Session impacting the water district industry, a copy of which is attached hereto as Exhibit "G".
 - e. *Proposed Service to NewQuest Development Tract.* Ms. Corprew reported that she has not received a response from Steve Alvis of NewQuest Properties to the letter written by the Attorney to Mr. Alvis in response to his request for service.
 - f. *Potential Litigation Regarding Damages to Water Well No. 1.* Ms. Corprew reported that she is attempting to gather additional information regarding dates certain events occurred to answer the questions regarding the statute of limitations and to allow a litigation attorney to better assess whether or not the District has a case.

8. DIRECTORS REPORT. Mr. Stendahl reported that the Texas Commission on Environmental Quality (the "TCEQ") has approved the District's request for the emergency repairs to Water Well No. 4.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, the President adjourned the meeting at 10:52 p.m.

Passed and approved this 2nd day of August, 2007.




Secretary, Board of Directors

- A - ★ Game Stoppers Brochure
- B - Security Equipment List and Addendum
- C - Tax Assessor/Collector's Report
- D - Bookkeeper's Report
- E - Quarterly Investment Report
- F - Conflicts Disclosure Memorandum
- G - 2007 Legislative Update Memorandum