

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

August 2, 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, August 2, 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 for Pate Engineers, Inc. ("Engineer"); Tony Padua of Willow Falls, Ltd. ("Willow Falls"); Tim Allen of American Enerpower, the District's electrical consultant ("AE"); Andrew Dunn, Juritza Herrera, Karen D. Foux, Jarrell Harris, and Randy West, residents of the District; and Kaye C. Corprew, attorney, 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 6:32 p.m.

1. PUBLIC COMMENT. The President first recognized the residents in attendance and gave them an opportunity to address the Board. Ms. Foux stated that there is a problem with sinkholes in yards along Evening Primrose Lane in Stonepine Subdivision, Section 1, and would like to know what the District plans to do about it, if anything. Director Lackey stated that he first heard about the problem on July 30, 2007 and had immediately contacted the Engineer who has a meeting already scheduled on August 3, 2007 with the contractor that installed the water and sanitary sewer lines in Stonepine, Section 1. Ms. Foux stated that the problems are with the following addresses on Evening Primrose Lane: 10223, 10227, 20215, 20219, 20247, 20243, 20211 and 20227. The residents then discussed the various problems resulting from the settlement. Director Lackey stated that he would get back with the residents after the Engineer and contractor assess the situation to let them know what will be done to abate the problem. Director Lackey then requested that Mr. Plunkett stake off some of the worst locations. [The residents departed the meeting at this time.] Discussion continued and the Board requested Mr. Stendahl to pull the soil tests, including compaction tests, from this construction project.

2. RENEWAL OF CONTRACT FOR ELECTRICAL SERVICES. The President next recognized Mr. Allen of AE. Mr. Allen presented and reviewed with the Board a *Comparison of Retail Electrical Provider Proposals*, a copy of which is attached hereto as Exhibit "A". Mr. Allen then reviewed the current blended rate, a copy of which is attached hereto as Exhibit "B", and then presented a comparison of the rates for the past five (5) years, a copy of which is attached hereto as Exhibit "C". Discussion ensued and Director Lackey recommended going with a five (5) year fixed rate contract since it appears that electricity rates will continue to increase over time. Mr. Allen explained that the District could lock in the price now; however, the new rate would not become effective until the current contract expires in December 2007. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the President to execute the renewal contract at the same or better rate as presented by Mr. Allen. Mr. Allen agreed to work with Director Lackey and Ms. Corprew on Friday, August 3rd, to get this finalized. [Mr. Allen departed the meeting at this time.]

3. APPROVE MINUTES. The Board then considered approval of the minutes of the June 28, 2007 and July 26, 2007 regular Board meetings and the July 14, 2007 special Board meeting previously distributed to the Board. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the minutes of the June 28, July 14 and July 26, 2007 meetings as corrected. [Mr. Padua departed the meeting at this time.]

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 "D."

- a. Report on Monthly Operations. Mr. Plunkett reported that the District had a 94.11% accountability rate with 3,037 accounts.
- b. Repairs and/or Replacements at District Facilities. Mr. Plunkett reported that he had replaced the air conditioning unit at Water Plant No. 1.
- 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.
- d. Miscellaneous Operations Matters.
 - (i) Mr. Plunkett then requested authorization to turn certain delinquent accounts over to collections;
 - (ii) Mr. Plunkett reported a customer claimed that the District's garbage collector, Waste Corporation of America ("WCA") smashed his trash can lid and that the customer would like \$60 to replace the trash can. It was the Board's consensus that the customer should take the matter up with WCA;
 - (iii) Mr. Plunkett reported that Houston Garden Center's permanent taps have been installed; and

- (iv) Mr. Plunkett next requested authorization to have Source Point televise 20,000 feet of sanitary sewer line at an approximate cost of less than \$50,000 over a several month period in order to continue the District's ongoing maintenance program which includes checking for problems in the lines.

Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and the engagement of Source Point to televise the line and authorized termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order and the turn-over of certain delinquent accounts to collections.

4. ENGINEER'S REPORT. The President then recognized Mr. Stendahl who presented and reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "E," as follows:

a. Action Items. Mr. Stendahl first reviewed the following action items with the Board: (i) approval of Change Order No. 1 for the Maintenance Building; (ii) authorization to proceed with design of Water Well No. 6 on the Jennings tract upon full execution of the Unimproved Property Sales Contract; (iii) authorization to precede with route selection and easement acquisition for the Water Well No. 6 Raw Water Transmission Main upon full execution of the Unimproved Property Sales Contract for the Jennings tract; (iv) authorization to proceed with various activities required for the Jennings tract upon full execution of the Unimproved Property Sales Contract, including the Harris-Galveston Subsidence District well permit application, brush hogging of the relevant portion of Jennings tract, Phase I environmental study, Phase I surface fault analysis, and land title survey and platting; (v) approve amendment to the Utility Commitment for the 33-acre Cobblestone tract from 245 equivalent single-family connections to 320; (vi) authorization to prepare plans for Graceview Baptist Church sanitary sewer line replacement; and (vii) approve award of contract for the Motor Control Center replacement (collectively, "Engineer's Action Items").

b. District Projects. Mr. Stendahl presented test results for the June 15, 2007 Water Quality Monitoring for Water Well Nos. 2, 3, 4 and 5, a copy of which is attached to the Engineer's Report.

c. GASB 34 Information. Mr. Stendahl reported that all facility information has been updated and provided to the District's auditor.

d. Standby Power Assessment. Mr. Stendahl next reported on the results of a demonstration of the feasibility of serving three (3) lift stations with the trailer mounted unit during a prolonged outage. Mr. Stendahl reported that only two (2) lift stations can be adequately served by one (1) unit and recommended that Northpoint East Storm Water Pump Station and Ashford Place Lift Station be equipped with dedicated standby power.

e. Wastewater Treatment Plant ("WWTP") – Phase 4 Expansion. Mr. Stendahl reported that the latest mobilization date for N&S Construction is August 15, 2007.

f. Bond Application No. 9. Mr. Stendahl reported that the Texas Commission on Environmental Quality's District's Division should be completing their expedited review of the Application for Bond Issue No. 9 on or about August 13, 2007.

g. 2008 TPDES Wastewater Discharge Permit Renewal. Mr. Stendahl reported that Pate Engineers, Inc. has prepared and submitted the application for wastewater discharge permit renewal and the application has been submitted to the TCEQ.

h. 12" Water Line Adjacent to State Highway 249 ("Highway 249"). Mr. Stendahl next reported that the Attorney and Engineer are working to obtain the necessary easements that must be obtained before the project can proceed.

i. Graceview Baptist Church ("Graceview") Sanitary Sewer Rehabilitation. Mr. Stendahl reported that in speaking with Ms. Corprew, she stated that the District cannot reimburse Graceview for the sanitary sewer rehabilitation without getting TCEQ approval. Mr. Stendahl stated that he spoke with the TCEQ and they will require a full set of plans in order to approve the reimbursement.

j. Water Plant No. 1 Motor Control Center. Mr. Stendahl reported that bids had been opened on July 19, 2007 and the low bidder for the Motor Control Center project had been RESCO Electric, Ltd. at \$193,250.00 and recommended that the Board award the contract to RESCO Electric.

k. Construction of District Maintenance Building. Next, Mr. Stendahl reported that the foundation piers, slab and parking pad had been poured and the underground utilities installed on the southern side of the site; however, drainage on the northern side of the site will have to be redirected to avoid a conflict with a 12-inch water line. Mr. Stendahl added that the erection of the prefabricated steel building structure is complete and cladding of the structure should be complete by August 3, 2007. Mr. Stendahl then presented Change Order No. 1 in the amount \$7,880.00 to the Board for approval.

l. 55-Acre Gallegos/Todd Tract. Mr. Stendahl reported that Woodmere Development Company, Ltd., is in the process of determining the feasibility of developing this tract as a single-family residential development (approximately 200 lots) and is requesting the District's input regarding annexation of the tract.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineer's report and the Engineer's Action Items.

5. DEVELOPER'S REPORT. There were no developers present.

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. Workshop for Long Range Planning and Security Matters. Ms. Corprew stated that the date agreed upon by the majority of the Board and Consultants required to be in attendance for the workshop meeting is Tuesday, August 7, 2007.

b. Statement of Auditing Standards No. 112 (SAS 112). Ms. Corprew distributed and reviewed with the Board, a memorandum prepared by the Attorney entitled Solving the SAS 112 Conundrum, a copy of which is attached hereto as Exhibit "F". Ms. Corprew suggested further discussion of this matter be deferred until the District's auditor is in attendance, and the Board agreed.

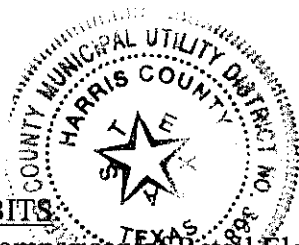
7. EXECUTIVE SESSION. At 8:57 p.m., the President called an Executive Session pursuant to Section 551.072 of the Texas Government Code, of the Open Meetings Act, to discuss real estate matters. Attendees for the executive session were the Board, the Engineer, Attorney and Operator.

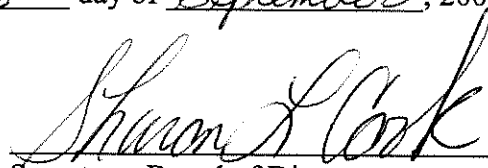
8. RECONVENE IN OPEN SESSION. At 9:20 p.m., the President declared the Executive Session over and reconvened the meeting in open session. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Unimproved Property Sales Contract for the acquisition of property owned by Mr. and Mrs. Freddie Jennings and the Option Agreement with Mr. and Mrs. Jennings for the remainder of their tract and authorized Director Lackey to execute same.

Upon motion by Director Cook, seconded by Director Ward, after discussion and 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 Bishop, the President adjourned the meeting at 9:30 p.m.

PASSED AND APPROVED this 6th day of September, 2007.




Secretary, Board of Directors

EXHIBITS

- A - Comparison of Retail Electrical Providers
- B - Current Blended Rate
- C - 5-Year Historical Electricity Rates
- D - Operator's Report
- E - Engineer's Report
- F - JRPB Memorandum "Solving the SAS 112 Conundrum"