

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF MEETING

October 4, 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, October 4, 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"); Lt. Richard Hill and Deputy Runyon of the Harris County Constable's Department (the "Constable"); Mr. Andrew Dunn, District resident and liaison with the Constable; and Andrew P. Johnson III and Kaye C. Corprew, attorneys, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "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 6:47 p.m.

1. PUBLIC COMMENT. There were no members of the general public present.
2. MINUTES. The Board next considered approval of the minutes of the September 20, 2007 Board of Directors meeting. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the minutes as presented. [Director Ward entered the meeting during the discussion on the minutes.]
3. OPERATOR'S REPORT. Mr. Plunkett then presented and reviewed with the Board, the Operator's Report, a copy of which is attached hereto as Exhibit "A". Mr. Plunkett reported that the bill versus produced ratio for the month of September was 96.38% with 3,071 connections.
 - a. Wastewater Treatment Plant ("WWTP"). Mr. Plunkett then reported that the Texas Commission on Environmental Quality conducted an inspection of the WWTP and that the District has one item to clear up. Director Bishop reported that she occasionally detects an odor problem around Sandy Stream. Discussion

ensued and Mr. Plunkett requested that the Directors call him whenever they smell a foul odor, which they suspect is coming from the WWTP, so that he can determine its source. Director Lackey suggested that the Operator use a little lime to alleviate the odor.

- b. Water Well No. 4. Mr. Plunkett next reported that Water Well No. 4 is still down and that an insurance claim has been filed to help defray the costs of pulling the motor. Director Lackey added that the motor is currently at Sun Star in Lubbock being repaired under the warranty; however, the cost to pull the motor is not covered under the warranty.
- c. Sanitary Sewer Line Rehabilitation. Mr. Plunkett then reported that he had received the first round of videos from Source Point from the sanitary sewer line televising and that he will start reviewing them.
- d. Maintenance Building. Finally, Mr. Plunkett reported that the District's maintenance building is nearing completion and that the gas line has now been installed after working with Center Point over a month.

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 as presented and authorized termination of customers on the Termination List attached thereto in accordance with provisions of the District's Rate Order.

4. ENGINEER'S REPORT. The President next recognized Mr. Stendahl, who presented and reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "B". Mr. Stendahl first reviewed results of the water quality monitoring for Water Well Nos. 2, 3, and 5 and reported that all were clear of contaminants. Well No. 4 had not been sampled as it is out of service.
 - a. Standby Power Facilities. Mr. Stendahl reported that the generator sizing and equipment costs for the standby power facilities had been received on September 26, 2007, which had not given the contractors sufficient time for preparing cost estimates for tonight's meeting. Mr. Stendahl stated that he plans to present three proposals for the standby generator for the North Point East Storm Water Pump Station at the November 1, 2007 Board meeting.
 - b. Construction of District Maintenance Building. Mr. Stendahl reported that civil site work for the maintenance building is 90% complete, with the only remaining items being the clean-up, fine grading and seeding. Mr. Stendahl further reported that the contractor for the project has proposed installing an air cleaner in lieu of filters at an approximate cost of \$1,200.00 and recommended approval of a Change Order for same at a cost not to exceed \$1,200.00, a copy of which is attached hereto as Exhibit "C."
 - c. Proposed Water Well No. 6. Mr. Stendahl next updated the Board on the status of surveying and securing easements required in conjunction with Water Well No. 6. Mr. Stendahl reported that the Solomon Road Extension alignment survey is

completed except for deed references and that the survey field work for the raw water line easements is complete. Mr. Stendahl went on to report that resolution of the Kohrville-Hufsmith and Solomon Road Extension right-of-way is required for the easements and that the design of the water line cannot begin until the easements and topographic surveys have been completed.

- d. Water Plant No. 1 – Motor Control Center. Mr. Stendahl reported that the pre-construction conference with RESCO Electric, Ltd. for the motor control center at the District's Water Plant No. 1 had been held on September 5, 2007 and the Notice to Proceed date is October 8, 2007 with an estimated completion date of May 4, 2008.
- e. WWTP – Phase 4 Expansion. Mr. Stendahl reported that the demolition of Phase I of the WWTP is complete. The duct bank under the proposed digester has been relocated and excavation for the digester basin and chlorine chamber will commence soon. Mr. Stendahl then presented a proposal from Tolunay-Wong Engineers, Inc. to perform laboratory testing services, a copy of which is attached hereto as Exhibit "D."
- f. Water Well No. 4 Motor Repair. Mr. Stendahl reported that the motor for Water Well No. 4 had been express-shipped to Sun Star in Lubbock, Texas for disassembly and evaluation. Mr. Stendahl explained that Sun Star is in the process of making the repairs under warranty and that Layne Texas estimates the cost to remove and reinstall the motor at \$48,700 as indicated on the exhibit attached to the Engineer's Report.
- g. 55-Acre Gallegos Tract. Mr. Stendahl reported that Woodmere Development Company, Ltd. has closed on the acquisition of this tract and will be requesting annexation and service from the District at a future meeting. Mr. Stendahl reminded the Board that an annexation feasibility study had been conducted in early 2005, but the former landowner did not proceed with annexation.

Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Engineering Report as presented, approved the Change Order for an air cleaner at the District maintenance building in lieu of replaceable filters for a cost not to exceed \$1,200, accepted the proposal from Tolunay-Wong Engineers, Inc. for on-going laboratory testing services and approved the proposal submitted by Layne Texas for removal and reinstallation of the motor for Water Well No. 4.

5. GENERAL BUSINESS.

- a. Garbage Collection Services. Discussion ensued regarding the various communications with Waste Corporation of America ("WCA") since the last meeting concerning service issues, particularly trash cans being left in the middle of the street and WCA's employees refusing to pick-up garbage cans that exceed the 40 pound limit due to safety concerns. It was the consensus of the Board that language should be added to the District's website regarding the maximum weight

of containers to be lifted by the garbage collectors. [Lt. Richard Hill and Deputy Runyon entered the meeting at this time.]

- b. Constable's Report. The President next recognized Lt. Hill who first introduced Eric Runyon, the newest deputy constable on the District's contract for patrol service. Lt. Hill then presented the Harris County Constable's Report. Director Ward asked whether or not the Constables could do something about the cars parked in front of the school and making it difficult for traffic to get around them, especially when parents are dropping off their children for school. Director Bishop asked whether or not the stop signs that had been removed from Three Lakes East could be reinstalled since residents had been used to stopping at certain intersections and are now confused as to whether to stop or not. Director Lackey stated that the stop signs are illegal as Harris County had not accepted the streets for maintenance in that section. [Mr. Dunn entered the meeting during the Constable's Report.] At the conclusion of the Report, the Constables along with Mr. Dunn departed the meeting.

6. ATTORNEYS REPORT.

- a. Right of Entry and Possession/Right of Way and Easement Agreement with North Harris County Regional Water Authority ("NHCRWA"). Ms. Corprew presented the revised site plan for the plans of the NHCRWA meter to be installed in Water Plant No. 2 and the proposed Right of Entry and Possession/Right of Way and Easement Agreement with the NHCWA. Discussion ensued regarding the sizing of the lines and the responsibility for maintenance of same. Mr. Johnson also suggested that the District have a way of sampling the water that is coming into their system. Ms. Corprew reported that she received an email from Tom Rolen stating that the NHCRWA would not comment on or protest the District's application for a permit for Water Well No. 6. Ms. Corprew then presented a letter for the Board approval from the District to the NHCRWA regarding the well permit and related issues and requested the Board authorize Director Lackey to execute the letter on behalf the Board. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized Director Lackey to execute the letter to the NHCWA, a copy of which is attached hereto as Exhibit "E." The Board deferred action on the Agreement until the design is finalized and certain terms of the Agreement are further refined.
- b. Resolutions Authorizing Acquisition of Easements and Proceedings in Eminent Domain of Easement Tracts along Huffsmith-Kohrville, Solomon Road and Solomon Road Extension. Ms. Corprew suggested the Resolutions concerning condemnation of the raw water transmission line be tabled to a future meeting since the easement appraisals have not yet been finalized. The Board agreed. Further discussion was deferred to the Executive Session.
- c. Requirements of House Bill 3693 Regarding Disclosure of Energy Usage. Ms. Corprew next reviewed a memorandum from JRPB regarding HB 3693 and

the requirement to report the District's actions to conserve energy once it meets a certain threshold, a copy of which is attached hereto as Exhibit "F." Ms. Corprew explained that once the District consumes more than \$200,000 of energy per year, the District will be required to make periodic filings to the State Energy Conservation Office setting forth its efforts to conserve energy. Ms. Corprew also reported that she had spoken with Dick Lewis of American Enerpower and that he had offered to compile the necessary information for the District at no additional charge if the District's Bookkeeper is unable to assemble the information. Ms. Corprew explained that the District is required to post this information regarding energy consumption on the District website.

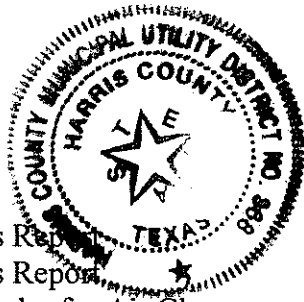
d. Potential Litigation Regarding Damages to Water Well No. 1. Ms. Corprew next reported that she has discussed with Steve Andrews of Oaks Hartline & Daly, the statute of limitations issue with regard to Water Well No. 1. Mr. Andrews informed her that there is no way around the issue and, therefore, the District would not be able to recoup any money for damages to Water Well No. 1. [Mr. Plunkett departed the meeting at this time.]

7. EXECUTIVE SESSION. The President called an Executive Session at 8:35 p.m. pursuant to Section 551.071(a) (1) of the Texas Government Code to discuss potential litigation regarding Water Well No. 1 and Section 551.072 to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site and raw waterline easement acquisition. Present in the Executive Session were the Board of Directors, Mr. Stendahl, Mr. Johnson, Ms. Corprew and Ms. Henderson. At 9:54 p.m., the President declared the Executive Session over and reconvened the meeting in open session. No action was taken on matters discussed in Executive Session.

8. OPEN SESSION. Mr. Johnson presented an updated Commercial Properties Security Cost Allocation spreadsheet for the Board's review and stated that the item would be discussed at the special meeting of the Board of Directors on Monday, October 8, 2007.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, the President adjourned the meeting at 10:07 p.m.

Passed and approved this 18th day of October, 2007.




Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Engineer's Report
- C - Change Order for Air Cleaner
- D - Tolunay-Wong Engineers, Inc. Proposal for Testing
- E - District letter to NHCRWA
- F - JRPB Memo Regarding HB 3693