

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF MEETING

January 3, 2008

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, January 3, 2008, 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") for Pate Engineers, Inc. ("Pate"); David Garrett of Great America ("Great America"); Cary Dunham of Cobblestone Construction ("Cobblestone"); Gina Barnes of KB Home Lone Star, Inc. ("KB"); Dick Rue of Woodmere Development Company ("Woodmere"); and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

The Vice 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 6:30 p.m.

1. PUBLIC COMMENT. There were no members of the general public present.
2. MINUTES. The Vice President next directed the Board's attention to the approval of the minutes of the December 6, 2007 regular meeting, special meeting of December 13, 2007, and the December 20, 2007 regular meeting. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.
3. OPERATOR'S REPORT. The Vice President noted that any discussion regarding the Ashford Place failed sewer stacks be tabled until the President, Attorney and Engineer arrive at the meeting. With that being said, Mr. Plunkett proceeded to review the Operator's Report, a copy of which is attached hereto as Exhibit "A". First, Mr. Plunkett reported that the bill versus produced ratio for the month of December was 90.00% with 3,118 connections. Mr. Plunkett next reported that the Texas Commission on Environmental Quality ("TCEQ") visited the plant on December 7, 2007 and that due to the size of the system, the TCEQ has increased the number of bacteriological samples to be taken each month to ten (10). Mr. Plunkett then presented the Termination List for the

Board's approval. Upon motion by Director Ward, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented and authorized termination of service to customers on the Termination List attached thereto in accordance with provisions of the District's Rate Order. [Mr. Garrett entered the meeting during the Operator's Report.]

4. DEVELOPER'S REPORT. The Vice President next called for the Developer's Report. Ms. Barnes presented and reviewed with the Board the status of development in Northern Point, a copy of which is attached hereto as Exhibit "B", reporting that KB had closed 464 homes as of December 31, 2007. Ms. Barnes then reported on the status of the detention pond, stating that the pond has been cleaned up and KB has contacted Stormwater Solutions to mow and seed the pond. Mr. Plunkett stated that he would go out and inspect the detention pond and if there are no deficiencies, will report back to the Board so that the deed can be prepared.

Mr. Dunham reported that the West Coast builder had backed out of the deal to build the multi-family senior housing units on the Cobblestone tract and that the tract is back on the market.

[Ms. Corprew, Mr. Stendahl and Director Lackey entered the meeting during the Developers Reports.] The Vice President paused the meeting to update the President, Engineer and Attorney on the events that transpired prior to their arrival. The President then directed the Board's attention back to item IV.B.(1) on the agenda, the Ashford Place Failed Sewer Stacks.

5. ASHFORD PLACE FAILED SEWER STACKS. Ms. Corprew updated the Board on the status of the meeting with the contractor, Triple B Construction ("Triple B"), regarding the failed sewer stack in Ashford Place Subdivision and the lack of stabilized sand in such stack as well as others. Ms. Corprew explained that she, Director Lackey, Mr. Stendahl and Mr. Garrett had just come from Pate where they had met with Triple B's attorney and representatives at Pate Engineers to discuss the District's request that Triple B reconstruct each of the stacks in Ashford Place Subdivision to ensure that the stacks are constructed in accordance with the District's contract with Triple B since four of the 72 stacks exposed by the Operator had been found not to be in conformance with the contract. Mr. Stendahl stated that Mr. Garrett had informed the group that there are several stacks on vacant lots that could be easily exposed without disturbing anything else and that with the Board's concurrence, these stacks will be checked out beginning January 14, 2008. Mr. Stendahl added that Triple B will bear the cost of bringing the equipment out and checking the stacks and that Triple B agreed to repair the stack that had failed. Discussion ensued regarding the reason for the delay in checking the additional sewer stacks and Mr. Stendahl reported that the person that he and Pate are most comfortable with handling the inspections would be out of the office until then. Mr. Garrett then asked the Board about the status of the reimbursement to 80-Huffsmith Venture ("80-Huffsmith") with regard to this matter. At this time, Ms. Corprew requested that the Board go into Executive Session to discuss the matter.

EXECUTIVE SESSION. The President called an Executive Session at 7:43 p.m. pursuant to 551.071(a) (1) to seek advice from counsel regarding contract negotiations and potential litigation regarding the failed Ashford Place sanitary sewer stacks. Present for the Executive Session were the members of the Board of Directors, Mr. Stendahl, Ms. Corprew and Ms. Henderson. At 8:15 p.m., the President declared the Executive Session over and reconvened the meeting in open session.

OPEN SESSION. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board agreed to withhold the portion of the water, sewer and drainage construction costs attributable to the gravity sewer constructed as part of the Ashford Place, Section 1 project. Ms. Corprew stated that she would contact Mr. Rathmann and Mr. McCall to verify the correct amount of the reimbursement due to 80-Huffsmith, less the costs attributable to the gravity sewer in Ashford Place, Section 1. It was the consensus of the Board to make the reimbursement and accept the utility conveyance from the Developer at the special Board meeting to be held at the District's Maintenance Building on Wednesday, January 9, 2008. [Mr. Garrett departed the meeting at this time.]

6. GENERAL BUSINESS. The President next presented a proposal for furnishing the District Maintenance Building for the shop area from warehouserack.com, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the proposal as presented.
7. 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 "D". Mr. Stendahl reported the following:
 - a. Capital Improvement Report. The Capital Improvement Report (CIP) has been updated to keep the Board informed of on-going construction, current utility design work, and improvements needed in the foreseeable future as well as the amounts and sources of funds allocated to the items on the report.
 - b. Operations Meeting. Mr. Stendahl directed the Board's attention to a synopsis of the December 27, 2007 meeting attached to the Engineer's Report. The next meeting is scheduled for January 18, 2008.
 - c. Proposed Water Well No. 6. The Solomon Road Extension easements are in hand. The Solomon Road and Huffsmith-Kohrville Road easement survey information was forwarded to Fox & Bubela on December 21, 2007 and offers may be made in early January 2008.
 - d. Wastewater Treatment Plant – Phase 4 Expansion. The Notice to Proceed was dated July 9, 2007 and the completion date is slated for October 31, 2008. Removal of the original Wastewater Treatment Plant is complete and construction of the digester basin, chlorine chamber and underground yard piping is underway. Mr. Stendahl presented Pay Request No. 4 from N&S Construction in the amount

of \$315,874.25 and Invoice No. 07-12027 from Tolunay-Wong Engineers for testing services in the amount of \$1,846.00 and recommended payment of each. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved Pay Request No. 4 from N&S Construction in the amount of \$315,874.25 and Invoice No. 07-12027 from Tolunay-Wong Engineers in the amount of \$1,846.00, copies of which are attached to the Engineer's Report.

- e. Standby Electrical Generators. Mr. Stendahl next presented a revised proposal to perform professional engineering services from Pate related to three (3) standby electrical generators, at Northpointe East Stormwater Pump Station, Water Well No. 3 and the Ashford Place Lift Station site. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board accepted the proposal for engineering services, a copy of which is attached hereto as Exhibit "E."
- f. Conversion to Chloramine Disinfection. Mr. Stendahl reminded the Board that one of the conditions of receiving surface water from the North Harris County Regional Water Authority is for the District to convert to chloramine disinfection at its existing Water Plants No. 1 and No. 2. To meet that requirement, Mr. Stendahl presented a proposal from Pate to perform professional engineering and surveying services related to conversion to chloramine disinfection at existing Water Plants No. 1 and No. 2. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board accepted the proposal for engineering services, a copy of which is attached hereto as Exhibit "F".
- g. Revised Boundary Map (Water Plant No. 2 Site and Water Well No. 6 Site.) Finally, Mr. Stendahl reported that Pate had revised the District boundary map to include the Water Plant No. 2 site and the Water Well No. 6 site and requested the Board's approval and execution of same.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineering Report as presented as well as authorized execution of the new District boundary map.

8. ATTORNEYS REPORT. The President next recognized Ms. Corprew, who presented the Attorneys Report, as follows:

- a. Petitions for Annexation of Water Plant No. 2 and Water Well No. 6 Sites. Ms. Corprew presented the Petition for Annexation and Petition for Consent to Annexation along with accompanying certifications for approval by the Board, copies of which are attached hereto as Exhibits "G", "H", "I" and "J". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Petitions as presented and authorized the execution on behalf of and as the act and deed of the District.

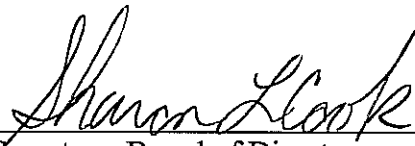
- b. Resolution Authorizing Application to Texas Commission On Environmental Quality For Release of Escrowed Funds. Ms. Corprew next requested approval of a Resolution Authorizing Release of Escrowed Funds from the Series 2007 Bonds for the Water Well No. 6 site, easements and construction. Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Resolution, a copy of which is attached hereto as Exhibit "K".
- c. Cobblestone Easements. Ms. Corprew next reported that the Board made an offer to Dia-Den, Ltd. ("Dia-Den") in the amount of \$27,000 for water and sanitary sewer line easements needed to serve the Cobblestone Tract. Ms. Corprew then suggested the Board authorize her to obtain an appraisal of the easements since Dia-Den wants \$1,000,000 for the property and does not seem to understand that they will still have full use of their property. Upon motion by Director Lackey, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized the Attorney to get an appraisal of the Dia-Den property for the water and sanitary sewer easements to serve the Cobblestone Development.
- d. 249 Waterline Easements. Ms. Corprew reported that the Hillegeist's attorney is currently revising the easement documents.
- e. Water Well No. 6 Remaining Easements. Discussion next ensued regarding the value of the remaining easements and amount of the District's offer to the owners of the various properties. It was the consensus of the Board that the Board will hold a special meeting on February 18, 2008 at 6:30 p.m. at Graceview to accept the easements and pay for same as was done for the Solomon Road Easements. Ms. Corprew stated that all she would need was authorization to extend an offer to the various property owners. Upon motion by Director Ward, seconded by Director Cook, with all Directors present voting aye, the Board authorized the Attorney to make offers to purchase the easements on behalf of the District.
- f. Woodmere Development Co., Ltd. ("Woodmere") Annexation (Ashford Grove Subdivision). The President first noted that there were no members of the public present to discuss the annexation of the 58.47 Woodmere tract to be developed as a single-family residential subdivision, to be referred to as Ashford Grove Subdivision, then recognized Mr. Rue who presented the Board with a Petition for Annexation, Petition for Consent to Annexation, Certificate of No-Voters, and Consent of Lienholder prepared by JRPB and forwarded to Woodmere for execution, copies of which are attached hereto as Exhibit "L", "M", "N" and "O". Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Petitions for Annexation and authorized execution of 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 Ward, the President adjourned the meeting at 9:46 p.m.

Passed and approved this 17th day of January, 2008.




Secretary, Board of Directors

EXHIBITS:

- A – Operator's Report
- B – KB Home Development Report
- C – WarehouseRack.com Proposal
- D – Engineer's Report
- E -- Engineering Services (Standby Electrical Generators)
- F – Proposal for Engineering (Conversion to Chloramines Disinfection)
- G – Petition for Annexation (Water Plant No. 2 and Water Well No. 6 Site)
- H – Petition for Consent to Annexation (Water Plant No. 2 and Water Well No. 6 Site)
- I – Certificate of No Voters (Water Plant No. 2 and Water Well No. 6 Site)
- J – Certificate as to Lienholders (Water Plant No. 2 and Water Well No. 6 Site)
- K – Resolution for Release of Escrowed Funds (Water Plant No. 2 and Water Well No. 6)
- L – Petition for Annexation (Ashford Grove Subdivision)
- M – Petition for Consent to Annexation (Ashford Grove Subdivision)
- N – Certificate of No Voters (Ashford Grove Subdivision)
- O – Certificate as to Lienholders (Ashford Grove Subdivision)