

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, January 17, 2008

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, January 17, 2008 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. Others in attendance were: Mark T. Stendahl, P.E., consulting engineer ("Engineer") for Pate Engineers, Inc. (Pate"); Katherine Turner of Municipal Accounts & Consulting ("Bookkeeper"); Tracy Riley of Eagle Water Management ("Operator"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Andrew Dunn, the District's liaison to the Harris County Constable's Office, Precinct Four; Sgt. Mike Swindler of the Harris County Constable's Office, Precinct Four; Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

The President, after having established a quorum and determined that the Notice of Meeting was posted in accordance to law, called the meeting to order at 6:55 p.m. for such business as may properly come before the Board.

1. CONSTABLES REPORT. The President first recognized Mr. Dunn, who presented the Harris County Constable's Report, as follows:

- a. Crime Statistics Report. Mr. Dunn reported that two (2) deputies were injured during an altercation with a male suspect after a traffic stop; both had to be transported to the hospital and both are still off the job. Other officers under the contract have modified their shifts to cover the contract, stated Mr. Dunn.
- b. Proposed Equipment Budget for 2008. Mr. Dunn next proceeded to explain the various requests for equipment and defensive tactics combat training for all assigned officers, a copy of which proposed budget is attached hereto as Exhibit "A". Ms. Corprew questioned whether or not the District paying for the defensive tactic combat training would subject the District to more liability. Mr. Dunn stated that he would attempt to get something in writing from the Department regarding their agreement with the method of training.

Ms. Corprew stated that she would review the Law Enforcement Services Contract between Harris County and the District.

2. PUBLIC COMMENT. There were no members of the general public present.
3. TAX ASSESSOR/COLLECTOR'S REPORT. Mr. Leared next presented and reviewed with the Board the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "B". Mr. Leared reported that the District is behind on its 2007 collections as opposed to the same time last year. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented and authorized payment of checks numbered 1639 and 1640 from the Tax Account.
4. 2008 DIRECTORS ELECTION. Ms. Corprew reminded the Board that this is an election year and that the Directors Election will be held on Saturday, May 10, 2008. Ms. Corprew also stated that Harris County will not be having an election and, therefore, the District will need to lease the electronic voting devices from the County and determine the polling locations. Director Cook suggested that Ms. Corprew check with the Klein Independent School District to see if they are having an election on May 10th and whether they would be interested in either having a joint election or at least allowing the District to use Kohrville Elementary School as the District's polling location. Ms. Corprew then requested approval to make a submission to the Department of Justice under the Voting Rights Act of 1965 with respect to any changes in polling locations within the District, as necessary. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board authorized the Attorney to make the submission under the Voting Rights Act, as necessary. [Ms. Turner entered the meeting during the Election discussion.]
5. BOOKKEEPER'S REPORT. The President next recognized Ms. Turner who presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C". Ms. Turner then reviewed the Quarterly Investment Report, a copy of which is attached hereto as Exhibit "D". Discussion next ensued regarding amending the budget. The Board decided to defer amending the budget for Fiscal Year Ending May 31, 2008 until the February 21, 2008 meeting. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented.
6. GENERAL BUSINESS.
 - a. Recommendation of Finance Committee & Consultants Regarding Water Well No. 6 Project Financing. Mr. Stendahl updated the Board on the results of the Finance Committee meeting and reported that there are sufficient funds in the District capital projects fund to award the Water Well No. 6 Project.
 - b. Award Contract for Water Well No. 6. Mr. Stendahl then presented to the Board the bid tabulation and engineer's recommendation letter for the contract

to construct Water Well No. 6, a copy of which is attached hereto as Exhibit "E". Mr. Stendahl reported that Bussell & Sons L.L.C. was the low bidder and recommended award of the contract to same. Upon motion by Director Ward, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board accepted the bid submitted by Bussell & Sons L.L.C. in the amount of \$2,734,400.00. Mr. Stendahl added that it is probably a good time to have Eric Johnson of Pate to start thinking about the projects that should be in Bond Issue No. 10 and to get with Craig Rathmann of Rathmann & Associates, the District's Financial Advisor, to see at what point the issue could be sold so that an increase in debt service taxes would not be necessary.

- c. Failed Sewer Stacks in Ashford Place. The President next recognized Mr. Riley who updated the Board on the status of the inspections of the sanitary sewer stacks constructed by Triple B Services in Ashford Place and the repair of the one failed sewer stack. Mr. Riley reported that after further investigation, it has been determined that there is stabilized sand in the stacks; however, the sand does not come up as high as it should on the stacks pursuant to the construction specifications. Mr. Stendahl explained that the repair to the one stack has not been made, so he suggested deferring action until the work is completed.
- d. Water Line Easements along State Highway 249. Ms. Corprew reported that she had received a counter offer from Hillegeist to the District's offer. Director Bishop stated that she thought it would be better to wait until the Bookkeeper completes the Capital Projects Spreadsheet showing all the funds already expended and still available. No action was taken.
- e. Water Well No. 6. Ms. Corprew stated that since the bid for the construction of the Water Well came in well above what the District anticipated, she advised increasing the amount of the water rights title insurance policy to \$2 million. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the increase in the value of the water rights title insurance policy to \$2 million and approved a payment of \$1300 to the title company for the additional premium.
- f. District's Website. Director Cook updated the Board on the changes made to the District's Website.

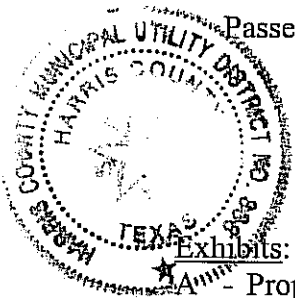
6. MINUTES. The President next directed the Board's attention to the minutes of the January 3, 2008 regular Board meeting and the January 9, 2008 special Board meeting. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes subject to the corrections noted.

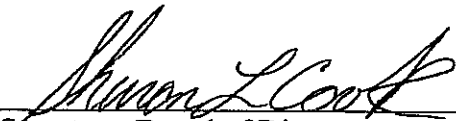
7. ATTORNEY'S REPORT. The President next recognized Ms. Corprew, who reviewed and presented the Attorney's Report, as follows:

- a. Engage Arbitrage Compliance Specialist. Ms. Corprew asked that this item be tabled until the February 7, 2008 meeting.
- b. Resolution Authorizing Reimbursement of General Fund From Future Bond Issue For Costs Associated with Water Well No. 6 and Transmission Waterline. Ms. Corprew stated that since the costs associated with the Water Well No. 6 construction and transmission line considerably exceeded the costs estimated by the District's Engineer in Bond Issue No. 9, the Board should consider adopting a Resolution authorizing reimbursement of the overage in Bond Issue No. 10. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board adopted the Resolution, a copy of which is attached hereto as Exhibit "F".
- c. Theft of Services. Director Lackey next reported that the Operator encountered an incident in the District where a resident was caught stealing water from the District. Director Lackey went on to explain that the service had been disconnected when the customer failed to pay his service bill pursuant to the terms of the District's Rate Order and the meter had been pulled after the resident cut the lock and reconnected to the District's system. He further explained the meter connection had been bypassed twice since the original meter had been pulled. The Constable has met with the residents and advised them the District could be pursuing additional charges pursuant to the Rate Order.

There being no further business to come before the Board, upon motion by Director Ward, the President adjourned the meeting at 8:48 p.m.

Passed and approved this 20th day of March, 2008.




Secretary, Board of Directors

- Exhibits:
- A - Proposed Equipment Budget
 - B - Tax Assessor/Collector's Report
 - C - Bookkeeper's Report
 - D - Quarterly Investment Report
 - E - Water Well No. 6 Bid Tabulation Report
 - F - Reimbursement Resolution