

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting
February 21, 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, February 21, 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 with the exception of Director Ward, thus constituting a quorum. Consultants in attendance were: Mark T. Stendahl, P.E., consulting engineer and representative of Pate Engineers, Inc. ("Engineer"); Bob Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Katherine Turner of Municipal Accounts & Consulting ("Bookkeeper"); Andrew Dunn, the District's liaison with the Harris County Constable's Office (the "Constable's Office"); Sgt. Swindler and Lt. Young of the Constable's Office; Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB" or "Attorneys").

Also attending were residents of the District, Joe and Deborah Courtney of 19835 Shores Edge Drive in Three Lakes East Subdivision, and Pastor Johnny Murray of the Central Baptist Church.

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 6:53 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. The President first recognized Mr. and Mrs. Courtney who stated they reside next to the District's Wastewater Treatment Plant (the "WWTP"). Mrs. Courtney addressed the Board regarding the tall crane, noise, including a high-pitched noise, and odor at the WWTP. Mr. Courtney expressed concern that when they purchased their house there was only one tank, now there are four. Mrs. Courtney asked whether the District could raise their fence to cut down on the noise, as well as the visual, or plant some trees or shrubbery to conceal the plant from the homes that back up to it. Mr. Courtney added that they cannot enjoy their backyard due to the construction and odor. Discussion ensued regarding the possible remedies for the odor and sound – whether generated by the construction or whether there is another problem. Director Lackey stated that the District has already instructed the Operator to look into the odor issue. Director Lackey went on to say that the District cannot plant trees along the fence line because the District eventually wants Harris County (the "County") to take over

maintenance of the drainage ditch and the County will not accept the ditch for maintenance if it has trees planted along it. [Ms. Corprew entered the meeting at 6:59 p.m.]

Mr. and Mrs. Courtney stated that they did not want to complain without also expressing their appreciation for the good work that the Board has done, particularly with regard to the added security, and stated that the response time is great. [Mr. and Mrs. Courtney departed the meeting at 7:06 p.m.]

Ms. Corprew next introduced Pastor Murray of the Central Baptist Church to the Board and stated that he is attending the meeting to discuss the Easement Agreement that JRPB has been negotiating with him on behalf of the District, a copy of which is attached hereto as Exhibit "A". Mr. Murray then addressed the Board regarding the Church's alleged failure to receive timely notice of the Easement Agreement in order to accept and grant the easement at the special meeting of the Board of Directors on Monday, February 18, 2008 and take advantage of the 150% offer. Pastor Murray stated that JRPB's messenger apparently left the envelope outside and it got soaked. The Church's cleaning lady found the envelope and brought it in and placed it on top of the microwave where he happened to stumble across it. Pastor Murray stated that he had no idea the package was being delivered as he had requested Diane Allen of JRPB to change Easement Agreement to address the signage that the Church had already planned to place on the property. Discussion ensued regarding whether or not Central Baptist, particularly, Pastor Murray, had done everything reasonable and prudent to respond to the District's offer in a timely fashion. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board extended the offer to pay Central Baptist Church 150% of the value of the easement to be granted to the District, provided that Pastor Murray execute the easement on behalf of the Church tonight, which he did. [Ms. Turner arrived during the discussion at 7:19 p.m.]

2. CONSTABLE'S REPORT. Lt. Young addressed the Board regarding the combative arts class requested by Mr. Dunn for the patrol officers and stated that he is not only supportive of the class, he has also taught the class in the past. Lt. Young addressed Ms. Corprew's question regarding the potential liability to the District in having the patrol officers to take the combative arts class. Lt. Young stated that if the only thing the District does is to pay the instructor for the class, then there is no liability to the District. However, if the District had its own police department and directed the officers to take the training and use the training, then the District would be liable. Lt. Young added that since the District is not making any policy regarding the training and usage thereof, there is no liability imputed to the District. Mr. Dunn stated that the whole idea of using this type of training is to lessen the possibility of injury. Lt. Young added that armed with the combative arts training, officers are less likely to get injured and are less likely to injure offenders when they resist arrest. [Lt. Young departed the meeting at 7:45 p.m.]

3. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared, who presented and reviewed the Tax Assessor/Collector's Report for the month of January, a copy of which is attached hereto as Exhibit "B". Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented.

4. ELECTION AGENDA. Ms. Corprew next presented the Board with an Order Calling Directors Election for May 10, 2008. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board adopted the Order Calling Directors Election, a copy of which is attached hereto as Exhibit "C". Ms. Corprew then stated that the Board needs to determine the date to canvass the returns of the election. After discussion, it was the consensus of the Board that the Board would canvass returns of the election at its May 15th 2008 meeting

5. BOOKKEEPER'S REPORT. Ms. Turner next reviewed the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D". Discussion then ensued regarding reimbursement to 80 Huffsmith Venture Ltd. ("80 Huffsmith") for the funds withheld due to the issue with the sewer stacks in Ashford Place, Section 1. Ms. Corprew explained that \$18,701.82 had been deducted from the amount due to 80 Huffsmith to pay for the expenses incurred by the District to pursue this matter. Ms. Corprew presented a copy of the Developer's Receipt for the Board's review, a copy of which is attached hereto as Exhibit "E". Ms. Corprew stated that she would invoice Triple B Services, the contractor for this project, for this amount for \$18,701.82 then reimburse 80 Huffsmith for this amount once the additional payment is received. Ms. Turner next presented and reviewed a Fund Balance spreadsheet, a copy of which is attached hereto as Exhibit "F". Finally, Ms. Turner presented a Series 2007 Cost Comparison spreadsheet, a copy of which is attached hereto as Exhibit "G". Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the Bookkeeper to move all Bond funds into one account, approved the Bookkeeper's Report as presented, and approved the partial payment of \$360,601.69 to 80 Huffsmith.

Discussion ensued regarding approval of the Security Budget. It was the consensus of the Board that approval of the Security Budget be tabled until the second meeting in March.

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

- a. Hillegeist Easement. Ms. Corprew first updated the Board on the status of negotiations for the State Highway 249 Waterline Easement across the Hillegeist property. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized payment to the Hillegeist Trust in the amount of \$34,500.00 from the \$40,000 included in Bond Issue No. 9 for easement acquisitions.

[Mr. Dunn and Sgt. Swindler departed the meeting at 10:00 p.m.]

- b. Water Well No. 6 Transmission Line Easements. Ms. Corprew next updated the Board on the status of the Water Well No. 6 Transmission Line Easements. Ms. Corprew reported that with the procurement of the Central Baptist Church tonight, the District has successfully completed the easement acquisitions necessary for the Water Well No. 6 transmission line.

- c. Theft of Service. Ms. Corprew updated the Board on the status of the theft of services from the District and reported that she had given the Constable's Office all the information they needed to support the criminal charges.
- d. Arbitrage Rebate. Ms. Corprew next explained that Ann Levy of JRPB estimated the cost of conducting the arbitrage rebate compliance at approximately \$10,000 to \$12,000. Upon motion by Director Cook, second by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the engagement proposal of the Arbitrage Compliance Specialist, a copy of which is attached hereto as Exhibit "H".

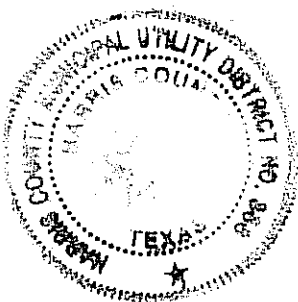
Upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the Board approved the Attorney's Report as presented.

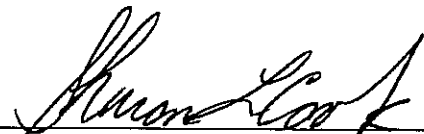
7. DIRECTORS' REPORT. Director Cook updated the Board regarding the problems with the emails not going through with respect to the District's website.

8. REPAIRS TO DISTRICT FACILITIES. Mr. Stendahl updated the Board with respect to Water Well No. 4 motor repairs. Mr. Stendahl again discussed the options with the Board in converting the motor to the same type of motor as the one designed for Water Well No. 6. Mr. Stendahl stated that the Board needs to decide whether it wants to equip Water Well No. 4 with the new style of submersible motor, stay with what they have, or convert it to a lineshaft pump. Director Lackey questioned whether or not the electrical would have to be re-worked to convert it to the line shaft. Director Bishop asked whether or not the problem is that the motor is an oil-filled motor and submersible pump. Mr. Stendahl stated that the risk to all parties is the submersible pump. Director Bishop asked Mr. Stendahl his recommendation for Water Well No. 4. Mr. Stendahl stated that he recommends the line shaft for both wells. Director Lackey stated that he agrees that the line shaft would be better for the District because the people who install the submersible pumps are not taking the necessary care in the installations and they do not want to take responsibility for damages during installation. Discussion continued and it was the consensus of the Board to table the decision until the next meeting.

There being no further business to come before the Board, upon motion by Director Dunn, the President adjourned the meeting at 10:36 p.m.

Passed and approved this 20th day of March 2008.




Secretary, Board of Directors

Exhibits:

- A -- Central Baptist Easement Agreement
- B -- Tax Assessor/Collector's Report
- C -- Order Calling Directors Election
- D -- Bookkeeper's Report
- E -- 80 Huffsmith Developer Receipt
- F -- Fund Balance
- G -- Cost Comparisons Bond Issue No. 9
- H -- Arbitrage Compliance engagement letter