

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, May 15, 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, May 15, 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
Allison V. Dunn	Assistant Secretary

All members of the Board were present. Consultants in attendance were: Mark T. Stendahl, P.E., consulting engineer; Sgt. Richard Hill of the Harris County Constable's Office, Precinct 4; Bob Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Katherine Turner of Municipal Accounts and Consulting, L.P. ("Bookkeeper"); Mike McCall of McCall, Gibson & Company ("Auditor"); Andrew P. Johnson, III, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 at 7:16 p.m. for such business as may properly come before the Board.

1. CONSTABLE'S REPORT. The President first recognized Sgt. Richard Hill, who presented and reviewed the Harris County Constable's Report.
2. PUBLIC COMMENT. There was no public comment.
3. MINUTES. The Board tabled approval of the minutes of the May 1, 2008 Board meeting.
4. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared, who presented and reviewed with the Board, the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "A". Mr. Leared reported that the District's 2007 taxes were 94% collected. Mr. Leared also reported that the delinquent statements would be mailed out this month to notify customers of the additional 20% penalty if not paid by July 1. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented.

5. ENGAGEMENT OF AUDITOR. The President next recognized Mr. McCall, who presented and reviewed with the Board, an engagement letter outlining the services to be performed and estimated fees for conducting the District's annual audit for fiscal year ending May 31, 2008, a copy of which is attached hereto as Exhibit "B". Mr. McCall then presented and reviewed a letter to the Board regarding the new Audit Risk Assessment Standards 104-111. Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board engaged the firm of McCall, Gibson & Company, to perform the District's audit for fiscal year ending May 31, 2008 and authorized the President to execute the engagement letter on behalf of and as the act and deed of the Board.
6. BOOKKEEPER'S REPORT. The President then recognized Ms. Turner, who presented and reviewed the Bookkeeper's Report and Investment Report, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Dunn, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report and Investment Report as presented.

Order Adopting Budget. Ms. Turner next presented and reviewed with the Board, the proposed budget for fiscal year ending May 31, 2009, a copy of which is attached to the Bookkeeper's Report. Discussion ensued regarding the budget and adjustments thereto. Upon motion by Director Bishop, seconded by Director Cook, with all Directors present voting aye, the Board approved the Budget for fiscal year ending May 31, 2009 and adopted the Order Adopting Budget, a copy of which is attached hereto as Exhibit "D".

Capital Improvement Plan. Mr. Stendahl next presented and reviewed with the Board the Capital Improvements Report, a copy of which is attached hereto as Exhibit "E".

AWBD Summer Conference. Upon motion by Director Cook, seconded by Director Lackey, with all Directors present voting aye, the Board authorized attendance at the 2008 AWBD summer conference in San Antonio, Texas.

7. GENERAL BUSINESS. Mr. Stendahl presented N&S' Pay Application No. 8 with respect to the Wastewater Treatment Plant Expansion. Mr. Stendahl reported that N&S has finally produced a good schedule that is realistic and he therefore called Ms. Turner and authorized her to release the last payment to N&S.
8. ATTORNEY'S REPORT. Director Lackey next recognized Mr. Johnson, who presented the Attorney's Report as follows:

Election Agenda. Mr. Johnson first presented the Director Qualification Affidavits, copies of which are attached as Exhibit "F," to Directors Bishop

and Cook, who executed same, thereby verifying their qualifications to serve as Directors of the District. Mr. Johnson next presented Directors Bishop and Cook with their sworn Statements of Elected/Appointed Officer, copies of which are attached as Exhibit "G", as required by the Texas Constitution, which statements were then duly executed by Directors Bishop and Cook. Ms. Henderson, as a Notary Public, then proceeded to administer the Oath of Office to Directors Bishop and Cook, copies of which are attached as Exhibit "H".

Election of Officers. Mr. Johnson then inquired if the Board would like to change any of the officers at this time. Upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board determined to keep the officers as they are at this time.

Open Government Training. Mr. Johnson then reviewed the requirements for Open Government training and reminded the newly elected Directors that they had to complete the training within 90 days of election.

Dia-Den Ltd Resolution. Mr. Johnson next presented the Board with a *Resolution Authorizing Acquisition of Water Line and Sanitary Sewer Line Easements and Proceedings In Eminent Domain*, a copy of which is attached hereto as Exhibit "I". Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented.

Rate Order Amendment. Mr. Johnson next presented the Board with an *Order Amending Rate Order*, a copy of which is attached hereto as Exhibit "J". Mr. Johnson explained that the purpose of the amendment was to add a fee for the Operator sending a letter to delinquent Customers notifying them of their delinquency and pending loss of service. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board voted to amend the Rate Order to add a \$10.00 termination letter fee, effective July 1, 2008.

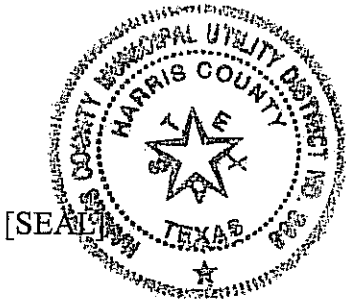
Executive Session: The President called an Executive Session at 9:30 p.m. pursuant to 551.071(a) (1) to seek advice from counsel regarding contract negotiations and potential litigation regarding the Exaro inquiry into the Board's decision to select a contractor other than the low bidder on a project. Present for the Executive Session were the members of the Board of Directors, Mr. Stendahl, Mr. Johnson and Ms. Henderson. At 9:41 p.m., the President declared the Executive Session over and reconvened the meeting in open session. No action was taken by the Board.

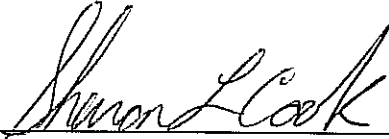
Insurance Proposals. Mr. Johnson next directed the Board's attention to the proposals for renewal of the District's insurance coverages received from AquaSurance, Anco-McDonald and Essential and the firm's comparison of

said coverages. Mr. Johnson then distributed a letter to the Board received from Floyd Mechler at AquaSurance regarding some alleged discrepancies in coverage offered by AquaSurance and Essential. Discussion ensued regarding the differences in coverages offered under the difference proposals and it was the consensus of the Board to hold a special meeting of the Board of Directors to discuss insurance proposals on Thursday, May 29, 2008 at 6:30 p.m. and invite representatives of each of the three agencies to make a 5-10 minute presentation and field questions from the Board.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 10:42 p.m.

Passed and approved this 19th day of June, 2008.




Secretary

Exhibits:

- A - Tax Assessor/Collector's Report
- B - Audit Engagement Letter
- C - Bookkeeper's Report
- D - Order Adopting Budget
- E - Capital Improvement Plan
- F - Director Qualification Affidavits
- G - Statement of Elected/Appointed Officers
- H - Oaths of Office
- I - Resolution Authorizing Acquisition of Water Line Easement/Eminent Domain
- J - Order Amending Rate Order