

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting Thursday, July 3, 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, July 3, 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
Eric Daniel	Treasurer
Allison V. Dunn	Assistant Secretary

All members of the Board were present with the exception of Director Bishop. Also in attendance was: Mark T. Stendahl, P.E., consulting engineer; Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Ronnie Hewett, resident of the District; Andrew P. Johnson, III 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 6:44 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. The President recognized Mr. Hewett who addressed the Board regarding his outstanding water and sewer service bill. Mr. Hewett requested that his outstanding amount of \$100 could be paid in two (2) installments of \$50 each, payable on the 15th and 24th of July. After discussion among the Board and review of the bill by the Operator, upon motion by Director Cook, seconded by Director Lackey, with all Directors present voting aye, the Board authorized the Operator to accept the payment plan proposed by Mr. Hewett.
2. MINUTES. The Board next considered approval of the minutes of the June 5, 2008 and June 19, 2008 Board meetings. Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the minutes of the June 5th as presented and approved the minutes of June 19, 2008 with corrections noted.
3. OPERATOR'S REPORT. Mr. Plunkett presented and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "A" as follows:
 - a. The Consumer Confidence Report was mailed out to all the District's customers as required by law.

- b. There is a possibility that the District's Subsidence District permit may have to be amended.
- c. Mr. Plunkett presented and reviewed the Termination List with the Board, a copy of which is attached to the Operator's Report.
- d. Finally, Mr. Plunkett presented an Interlocal Agreement from the Harris-Galveston Coastal Subsidence District ("Subsidence District") for the District to sponsor the Water Wise Program for Khorville Elementary School this year, a copy of which is attached hereto as Exhibit "A-1". Directors Cook and Dunn reported that all the water programs, Water Wise and Regional Water Authority Mobile Water Lab will all be presented on the same day this year. Mr. Plunkett stated that a yard watering conservation flyer will be mailed out this month, which will also go towards the Water Smart Program credits. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized execution of the Interlocal Agreement.

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented and authorized termination to the accounts listed on the Termination List in accordance with the provisions of the District's Rate Order.

4. ENGINEER'S REPORT. Mr. Stendahl next presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".
 - a. Water Quality Monitoring. Mr. Stendahl reported that the test results for the District's Water Wells revealed no violations of EPA Drinking Water Quality parameters.
 - b. Stand-by Power Generators. Mr. Stendahl presented the Board with a bid tabulation showing the results of the five qualified bids received for the emergency power generators, a copy of which is attached hereto as Exhibit "B-1". Mr. Stendahl explained that all of the bids were substantially higher than the \$225,000 budget provided in the District's Capital Improvement Program. After analyzing the bid, Mr. Stendahl recommended that the Board contact the low bidder, C. F. McDonald Electric, Inc. to try and negotiate a reduction in the bid price or in the alternative, reject all bids and purchase the emergency power generators and appurtenances directly from the suppliers and contract separately for installation.
 - c. Water Well No. 6. Mr. Stendahl presented Pay Estimate No. 5 from Bussell & Sons in the amount of \$54,292.50 and recommended approval. Mr. Stendahl reported that the contractor is 45% complete with 42% of the project time expended. Mr. Stendahl also presented Change Order No. 2 from Bussell & Sons in the amount of \$3,480 for the realignment of the chemical feed line and

relocation of the existing chemical feed line at Water Plant No. 1 to make room for the new chemical feed building to be installed with the chloramination project.

- d. Well Collector Easements. Mr. Stendahl reported that condemnation of the McBride tract is underway and that the hearing for Durdin has been scheduled, but he thinks the property may have changed hands. Director Lackey asked whether the Board should bid or split the project to speed it up. Mr. Stendahl responded "No" because the District doesn't need the capacity until next June and there is plenty of time.
- e. Wastewater Treatment Plant – Phase 4 Expansion. Mr. Stendahl presented Pay Request No. 10 from N&S Construction in the amount of \$614,878.35 and recommended payment. Mr. Stendahl reported that the project is approximately 56% complete with 65% of the contract time having expired. Mr. Stendahl reported that the contractor has caught up on the schedule, but may fall further behind because of the accident at the site today.
- f. 12" Water Line Adjacent to State Highway 249. The Engineer is waiting on the Durdin and JEC easements to move forward with the Project.
- g. Water Well No. 4 Motor Repair. Mr. Stendahl reported that the new motor was installed on July 1, 2008 after a new stub shaft was machined; however, a performance test on July 2, 2008 indicates a lower discharge pressure and flow than anticipated. Layne Texas will address the problem.
- h. GraceView Sewer Replacement. Mr. Stendahl reported that the plans have been reviewed and commented on by both Harris County and the City of Houston and that revised plans should be submitted to the City of Houston by mid-July.
- i. Development Projects:
 - 1) Harris County Street Acceptance Status. Mr. Stendahl directed the Board's attention to the updated schedule attached to the Engineer's Report.
 - 2) Willow Falls Subdivision, Section 5. Mr. Stendahl reported that the contract documents for construction of the water, sewer and drainage facilities have been approved by the Contractor and the insurance and bonds have been approved by JRPB.

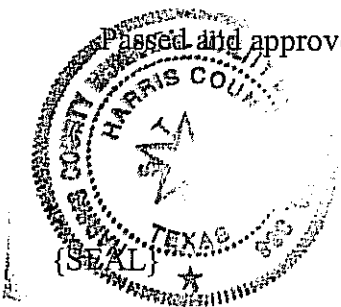
Upon motion by Director Dunn, seconded by Director Cook, with all Directors present voting aye, the Board approved Pay Estimate No. 10 from N&S Construction for the Wastewater Treatment Plant Expansion in the amount of \$614,878.35, approved Pay Estimate No. 5 from Bussell & Sons for the Water Well No. 6 Project in the amount of \$54,292.50, approved Change Order No. 2 from Bussell & Sons for the Water Well No. 6 Project in the amount of \$3,840.00, and authorized the Engineer

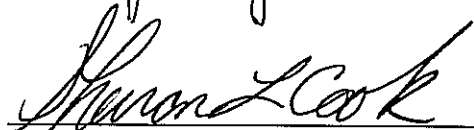
to negotiate with C.F. McDonald Electric with respect to reducing the bid price for the Stand-by Power Generators.

5. GENERAL BUSINESS. The Board first considered approval of an invoice from Tomball Print & Copy for business cards for Director Daniel. The Board next considered a proposal from King Fabricators to install enclosures for the air conditioning unit at a cost of \$600 plus powder coating for an additional \$275.00. Upon motion by Director Daniel, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board accepted the proposal.
6. ATTORNEY'S REPORT. Mr. Johnson first updated the Board on the status of the various easement acquisitions and condemnation proceedings regarding same. Mr. Johnson next requested that the Board consider waiving the two years of penalties and interest for Mrs. Terrell due to a confirmed error by the Delinquent Tax Attorney. Upon motion by Director Cook, seconded by Director Daniel, after discussion and with all Directors present voting aye, the Board waived the penalty and interest on the account. Upon motion by Director Cook, seconded by Director Dunn, with all Directors present voting aye, the Board approved the Attorneys Report as presented.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 8:16 p.m.

Passed and approved this 23rd day of July, 2008.




Secretary, Board of Directors

EXHIBITS:

- A -- Operator's Report
- A-1 -- Interlocal Agreement
- B -- Engineer's Report
- B-1 -- Stand-by Generator Bid Tabulation