

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

Minutes of Meeting  
Thursday, May 21, 2009

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 21, 2009 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. Consultants in attendance were: Mark T. Stendahl, P.E., consulting engineer; Cathy Branco of Municipal Accounts and Consulting ("Bookkeeper"); Bob Leared and Eric Comeau of Bob Leared Interests, Inc. ("Tax Assessor/Collector" or "BLI"); Mike Plunkett of Eagle Water Management Company ("Operator"); Cpl. Mike Swindler of the Harris County Constable's Office, Precinct 4; Andrew Dunn, the District's liaison with Harris County Constable's Office, Precinct 4; Noel Barfoot of McCall, Gibson & Company, PLLC ("Auditor"); and Joshua W. Golden 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 7:00 p.m. for such business as may properly come before the Board.

1. **Harris County Constable's Report.** The President first recognized Cpl. Swindler, who presented and reviewed the Harris County Constable's Patrol Report for the month of April, 2009. Discussion then ensued regarding the budget for security, a copy of which is attached hereto as Exhibit "A". The consensus of the Board was that \$8,000 should be budgeted amount for the security with \$1,000 of that amount attributable to equipment. [Cpl. Swindler, Mr. Dunn departed the meeting at the conclusion of the discussion].
2. **Public Comment.** None.
3. **Engage Auditor for Fiscal Year Ending May 31, 2009.** The President next recognized Mr. Barfoot, who presented and reviewed McCall, Gibson & Associates' proposal to conduct the District's audit. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board accepted the proposal as presented and authorized the President to execute the engagement letter, a copy of which is attached hereto as Exhibit "B", on behalf of and as the act and deed of the Board.
4. **Tax Assessor/Collector's Report.** The President next called for the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "C". Mr. Leared

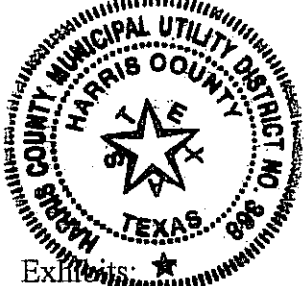
introduced Eric Comeau to the Board as an associate at BLI. Mr. Leared then proceeded to review the Tax Assessor/Collector's Report with the Board, then the Delinquent Tax Report. Mr. Leared reported that delinquencies are in good shape and that letters to all delinquent taxpayers notifying them of the additional 20% penalty that will be added to their account on July 1. Upon motion by Director Dunn, seconded by Director Daniel, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report and Delinquent Tax Reports as presented.

5. **Bookkeeper's Report.** The President next recognized Ms. Branco, who presented and reviewed the Bookkeeper's Report and Investment Report with the Board, a copy of which is attached hereto as Exhibit "D". Mr. Stendahl next presented and reviewed the Capital Improvements Report with the Board, a copy of which is attached hereto as Exhibit "E". Mr. Stendahl also reported that the TCEQ Bond Application had been hand delivered and that notice of administrative completeness was received within ten (10) days of delivery. At this rate, the District can possibly issue bonds in August. Mr. Stendahl then stated that after funding projects included in Bond Issue No. 10, approximately \$4.3 million will remain for Operations and Maintenance. Discussion then ensued regarding installing burglar bars to protect cameras. Director Lackey inquired about the Sandy Stream sewer (Northpointe East to Lift Station #2 gravity flow). Upon motion by Director Dunn, seconded by Director Lackey, the Board approved the Bookkeeper's Report as presented. [Mr. Leared and Mr. Comeau departed the meeting at this time, 7:30 p.m.]
  
6. **Budget for Fiscal Year Ending May 31, 2010.** Ms. Branco next directed the Board's attention to the budget for fiscal year ending May 31, 2010. Discussion ensued regarding various modifications to expense categories as follows: (i) add \$20,000 to category 16319A for fuel; (ii) add \$10,000 to 16319B for maintenance and repairs; (iii) after further discussion change \$6,550 to 16334.1 for security equipment; and (iv) the addition of \$20,000 to 16326. An extensive discussion then ensued regarding surface water conversion and it was the consensus of the Board to add \$50,000 for the GraceView sewer, increase miscellaneous income to \$83,000 and add a separate line item for Maintenance Building maintenance in the amount of \$2,000. After discussion of the various amendments to the budget, Mr. Golden presented the Board with an Order Adopting Budget for Fiscal Year Ending May 31, 2010, a copy of which is attached hereto as Exhibit "F". Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Budget as amended and adopted the Order Adopting Budget for Fiscal Year Ending May 31, 2010 as presented.
  
7. **General Business.**
  - a. **Repairs to District Facilities.** The President next recognized Mr. Plunkett who reported that an underground header had been replaced at the Wastewater Treatment Plant facility at the South plant and that the hot water at the District's Maintenance Building is inoperable.
  
  - b. **Website.** Director Cook reported that Mr. Golden's name has been corrected on the District's website.

- c. *Amendment to Water Purchase Agreement.* Upon motion by Director Daniel, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized execution of an amendment to the Water Purchase Agreement with the North Harris County Regional Water Authority, a copy of which is attached hereto as Exhibit "G".
8. *Attorneys Report.* The President next recognized Mr. Golden, who presented and reviewed the Attorney's Report, as follows:
- a. *Minutes.* Mr. Golden first directed the Board's attention to the minutes of the May 7, 2009 Board meeting. Upon motion by Director Cook, seconded by Director Daniel, after discussion and with all Directors present voting aye, the Board approved the minutes as amended.
  - b. *CenterPoint Power Line Easement.* Mr. Golden reported that the easement had been approved. Mr. Stendahl added that CenterPoint is scheduled to be on site three (3) weeks from today to install the necessary power line to serve Water Well No. 6.
  - c. *Dia-Den Settlement Agreement.* Mr. Golden updated the Board on the status of the discussions with Gary Grote and David Livingston, the attorney for Dia-Den, and reported Mr. Livingston expects to have his client and his clients' lender execute the required payments within this the week.
  - d. *Pinecrest/Three Lakes East Detention Basins.* Discussion next ensued regarding the District's acceptance of the Pinecrest/Three Lakes East detention basins and landscape/community use tracts from Friendswood Development Company. Upon motion by Director Cook, seconded by Director Dunn, after further discussion and with all Directors present voting aye, the Board agreed to accept the two (2) detention ponds from Friendswood Development Company.
  - e. *Renewal of Option to purchase additional acreage adjacent to Water Well #6 site.* Mr. Golden updated the Board on the status of the new appraiser, Alan Dominy, and reported that he expects to receive the new appraisal within the week.
  - f. *Update Strategic Partnership Agreement Business List.* Directors Cook and Bishop stated that they would verify the accuracy of the business list and report back to the Board.
  - g. *Post-Issuance Tax Compliance.* Mr. Golden explained that this is an annual agenda item to ensure that the Board remains in compliance with the IRS rules and regulations and that the District's arbitrage rebate calculation was in process and that there was nothing further to be done at this point.

There being no further business to come before the Board, upon motion by Director Daniel, the President adjourned the meeting at 9:30 p.m.

Passed and approved this 4<sup>th</sup> day of June, 2009.



*Sharon Cook*  
Secretary, Board of Directors

Exhibits:

- A Security Budget
- B Audit Engagement Letter
- C Tax Assessor/Collector's Report
- D Bookkeeper's Report
- E Capital Improvements Report
- F Order Adopting Budget
- G Amendment to Water Purchase Agreement