

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

December 21, 2006

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public at 6:30 p.m., at Graceview Baptist Church, 22510 Tomball Parkway, Tomball, Texas, on Thursday, December 21, 2006, pursuant to the notice of said meeting posted in accordance with Chapter 551 of the Texas Government Code; 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. Consultants attending were: Wendee Gamble of Municipal Accounts and Consulting ("Municipal Account" or "Bookkeeper"); Andrew Dunn, District resident and liaison with the Harris County Constable's Department (the "Constable"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark Stendahl of Pate Engineers, Inc. ("Engineer"); and Kaye C. Corprew, attorney, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB" or "Attorneys").

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 and declared it open for such business as may come before it at 6:49 p.m.

1. PUBLIC COMMENT. There were no public comments.
2. CONSTABLE'S REPORT. The President first recognized Mr. Dunn who presented the Harris County Constable's Report. Mr. Dunn reported that a temporary officer is covering the open evening shift position. [Mr. Dunn departed the meeting at this time.]
3. MINUTES OF PREVIOUS MEETING. The Board tabled approval of the minutes of the November 16, 2006 Board meeting until the next meeting.
4. TAX ASSESSOR/COLLECTOR'S REPORT. Mr. Leared then reviewed the Tax Assessor/Collector's Report with the Board, a copy of which is attached hereto as Exhibit "A". Mr. Leared reported that he had received a letter from a District taxpayer requesting that the Board approve a waiver of the penalty and interest on his delinquent tax account since he had moved to California and not received his notice in a timely manner. Mr. Leared explained that the invoice had been forwarded as required by Section 33.011 of the Tax Code. Upon motion by Director Cook, seconded by Director Bishop, after further discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented, authorized payment of checks numbered 1491 and 1540 through 1547, inclusive, from the Tax

Account, authorized the purchase of a new aerial photograph of the District and a CD of same, and denied the taxpayer's request for waiver of penalty and interest pursuant to Section 33.011 of the Texas Tax Code, as amended.

[Mr. Leared departed from the meeting at this time and Mr. Stendahl arrived.]

5. BOOKKEEPER'S REPORT. Director Lackey then recognized Ms. Gamble who presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B". Ms. Gamble presented checks numbered 5358 through 5436, inclusive, for payment on the Operating Account and check numbered 1409 from the Capital Projects Account. Ms. Gamble then reviewed the Investment Report and Funds Balances with the Board. Director Bishop raised several questions regarding the budget, particularly, overages for garbage collection and drainage channel maintenance. Discussion ensued regarding possible adjustments to the Budget and Ms. Corprew stated that an item to amend the budget will be placed on the December agenda to make the necessary changes. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report and the Quarterly Investment Report and authorized the issuance of checks reflected therein.

6. NEW BUSINESS.

- a. Additional Source of Water Supply. The President next recognized Mr. Stendahl who addressed the Board regarding the proposed Water Well No. 6 and possible purchase of water from the North Harris County Regional Water Authority (the "NHCRWA"). Mr. Stendahl reported that the projected cost of a new well is \$2,000,000, which could be added to the current Bond Application that is about to be submitted to the Texas Commission On Environmental Quality ("TCEQ") for approval. Mr. Stendahl further reported that the NHCRWA has adopted a budget which includes funds to bring a water line to the District. Mr. Stendahl went on to say that the NHCRWA says that if the District will commit to a take-or-pay contract, the NHCRWA will expedite the construction of the water line. The NHCRWA also informed him that they can provide 462,000 gallons per day to the District by 2010. Mr. Stendahl added that without Water Well No. 6, the District's projected peak day shortfall is approximately 300,000 gallons per day. Mr. Stendahl stated that the Board has three (3) options: Option A – drill Water Well No. 6; Option B – purchase surface water from the NHCRWA under a take-or-pay contract; or Option C – drill Water Well No. 6 and purchase surface water from the NHCRWA under a take-or-pay contract. Discussion ensued regarding the ramifications of each of the options presented and which one could serve the District's needs best. Upon motion by Director Ward, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board voted to proceed post haste with the water line extension to Water Plant No. 2 off of Lacy Road, to move forward with the engineering, land acquisitions and easements for construction of Water Well No. 6, and to add the cost of Water Well No. 6 to the District's Application for Bond Issue No. 9. [Director Cook departed the meeting at 7:55 p.m.].

- b. Federal Tax Matters Related to Debt Financing. Next, Ms. Corprew reported that she has discussed the federal tax matter relating to the District's debt financing with Ann Levy of JRPB and Richard Fletcher of Municipal Accounts and that she suggests JRPB spearhead the project since JRPB, as the District's tax and bond counsel, will have to sign-off on the opinion. Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized JRPB with Municipal Accounts assistance to proceed with the federal tax matter relating to the District's debt financing.
- c. Pay Estimate on Water Well No. 4. The Board next considered payment of Invoices No. 1, 2 and 3 from Alsay with respect to the repairs to Water Well No. 4. Director Lackey noted that Alsay had failed to expedite the repair of the motor even though they were requested to and the numerous problems that had arisen as a result of the delay in making the repairs. Mr. Stendahl added that he felt that Alsay would appreciate the District making a partial payment prior to their re-installing the motor. After further discussion and upon motion by Director Ward, seconded by Director Lackey, with all Directors present voting aye, the Board authorized the payment of \$44,250.00 to Alsay.
- d. Repairs To District Facilities. Director Lackey next reported that the new air conditioning unit was being installed at Water Plant No. 2.

7. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who distributed a draft of the Annual Agenda for 2007 for the Board's review. Ms. Corprew then stated that it was time for the District to renew its membership in the Association of Water Board Directors - Texas ("AWBD") and reminded the Board of the upcoming Mid-Winter Conference scheduled for January 26 and 27, 2007 at the Hilton Austin. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Attorney's report, authorized renewal of its membership in AWBD, authorized attendance of the AWBD Mid-Winter Conference and approved the Annual Agenda for 2007.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Lackey, with all Directors present voting aye, the President adjourned the meeting at 8:45 p.m.

Passed and approved this _____ day of _____, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report