

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

January 18, 2007

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, January 18, 2007, 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 ("Bookkeeper"); Andrew Dunn, District resident and liaison with the Harris County Constable's Department (the "Constable"); Mark Stendahl of Pate Engineers, Inc. ("Engineer"); and Kaye C. Corprew, attorney, and Marian D Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("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 7:04 p.m.

1. PUBLIC HEARING REGARDING LIMITED PURPOSE ANNEXATION WITH CITY OF HOUSTON. The President convened the hearing at 7:05 p.m., there were no members of the general public present and the President adjourned the hearing at 7:06 p.m.

2. PUBLIC COMMENT. There were no public comments.

3. CONSTABLE'S REPORT. The President first recognized Mr. Dunn who presented the Constable's Report. Mr. Dunn reviewed the crime statistics for the District for the month of December and noted that a lot of the crimes were opportunity crimes, particularly the burglary of motor vehicles in instances when the doors were left unlocked. Mr. Dunn stated that it is his opinion that someone has gotten accustomed to the schedule of the deputies patrolling the District. Mr. Dunn also reported that he has rearranged the schedule in order to cover some holes in the schedule. Director Lackey asked the Attorney whether or not the District could offer a reward for information regarding suspects and stated that the reward program through TIPS seems to do pretty good at the county level. Ms. Corprew stated that she would look into it. [Mr. Dunn departed the meeting at this time.]

4. MINUTES OF PREVIOUS MEETING. The Board next considered approval of the minutes of the December 21, 2006 Board meeting. Upon motion by Director Cook, seconded

by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.

5. TAX ASSESSOR/COLLECTOR'S REPORT. In the absence of Mr. Leared, Ms. Corprew presented and reviewed the Tax Assessor/Collector's Report with the Board, a copy of which is attached hereto as Exhibit "A". Upon motion by Director Ward, 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.

6. 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 5437 through 5500, inclusive, for payment on the Operating Account and checks numbered 1410 and 1411 from the Capital Projects Account. Ms. Gamble then reviewed the Investment Report and Funds Balances with the Board. Ms. Gamble directed the Board's attention to a credit from WCA Waste Corporation, the District's garbage collector, for the total number of connections billed during the previous month and explained that the bill was based on the total connections instead of occupied residences as it should have been.

Ms. Corprew then requested that the Capital Projects Funds be revised to reflect which series of bonds the funds belong to. Ms. Gamble indicated that they were in the process of separating the funds out and would forward the drafts to the Attorney and Engineer to review. Ms. Gamble also noted that the District received a payment from the developer of the Cobblestone tract, Dungrove LLC.

Discussion then ensued regarding the availability of funds to add a fifth deputy to the District's Interlocal Agreement for Law Enforcement Services with Harris County to patrol the District. Director Dunn stated that it takes five (5) deputies to get 24-hour coverage. Director Bishop stated she is concerned that the District will begin to use up the reserve that serves as a cushion for maintenance and repairs. Discussion also centered around the proposed take-or-pay contract with the North Harris County Regional Water Authority ("NHCRWA") and the increase in the cost of water the District will be obligated to use under the proposed contract. In conclusion, the Board decided it was the District's best interest to add the fifth deputy. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the amendment of the Interlocal Agreement with Harris County to add a fifth (5th) contract deputy to patrol the District. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, including the investment report, and authorized the issuance of checks reflected therein.

7. ENGINEER'S REPORT. The President next recognized Mr. Stendahl who presented the Engineer's Report, as follows. Mr. Stendahl stated that he would have to have another conversation with NHCRWA to see how proposed Water Well No. 6 will be treated after entering into a take-or-pay contract. Mr. Stendahl then presented a map with five (5) potential sites for Water Well No. 6 pointing out that the areas selected meet the various criteria set by Guyton & Associates, the hydraulegist engaged to recommend sites for locating the well, including distance from other wells, sanitary control, etcetera. Mr. Stendahl reported that Well

No. 6 could deliver its raw water to Water Plant No. 1 or Water Plant No. 2. Mr. Stendahl then presented a proposal for the engineering of Water Well No. 6, a copy of which is attached hereto as Exhibit "C". Mr. Stendahl then added that he would not spend a great deal of time or money on the engineering until after the meeting with the NHCRWA to get answers and assurances that Well No. 6 will receive fair treatment for capital asset recovery by the NHCRWA. Mr. Stendahl further stated that the first thing is for the District to acquire the site for Well No. 6, which Diane Allen of the Attorney's office is currently working towards. Discussion then ensued regarding the type of well to be drilled. Mr. Stendahl stated that he would try for a Jasper well, which should produce between 1200-1500 gallons per minute. Upon motion by Director Lackey, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the proposal for engineering of Water Well No. 6, contingent upon the results of the meeting with the NHCRWA.

8. OLD BUSINESS.

(a) District Maintenance Building. Director Lackey next reported that the advertisements for the District Maintenance Building had run and that he will be meeting with the architect to open bids on February 6, 2007.

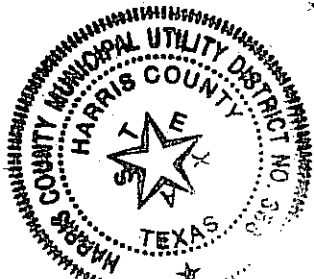
(b) Emergency Generator. Director Lackey reported that the emergency generator has arrived and that it works fine. The generator was tested at Water Well No. 3 and at Lift Station No. 1.

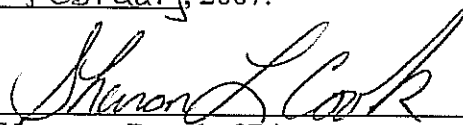
(c) Water Well No. 4 Motor. Director Lackey reported that Alsay, Inc. received the motor but when they attempted to install the motor, they stood it up on a plastic fitting and broke it off, therefore, the motor had to be shipped back to Lubbock at Alsay's expense. Director Lackey then stated as of the meeting time, he had not heard when the motor will be returned.

9. ATTORNEY'S REPORT. The President next recognized Ms. Corprew who stated that Sam Yager, Inc. would like the District to waive the 2-year time limitation on developer interest. Discussion ensued regarding the matter and the impact on the District. Upon motion by Director Lackey, seconded by Director Cook, with all Directors present voting aye, the Board denied the request based upon the fact that the District is already reimbursing the developers 100%. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Attorney's Report.

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 8:43 p.m.

Passed and approved this 15th day of February, 2007.




Secretary, Board of Directors

EXHIBITS:

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report
- C - Engineering Proposal for Water Well No. 6