

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

January 4, 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 January 4, 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 Dunn	Assistant Secretary

All members of the Board were present. Also attending were Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Eric Johnson, P.E. of Pate Engineers, Inc. ("Engineer"); Tony Padua of Sam Yager, Inc. ("Yager"); Cary Dunham of Dungle L.L.C., ("Cobblestone"); and Kaye C. Corprew, 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 and declared it open for such business as may come before it at 6:55 p.m.

1. PUBLIC COMMENTS. There were no public comments.
2. APPROVE MINUTES. The Board first considered the minutes of the regular meetings of November 16, 2006 and December 7, 2006, previously distributed to the Board. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the November 16, 2006 and December 7, 2006 meetings, as presented.
3. OPERATOR'S REPORT. The President next recognized Mr. Plunkett who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A".
 - a. Report on Monthly Operations. Mr. Plunkett reported that the District had a 95.90% accountability rate with 2934 accounts.
 - b. Repairs and/or replacements at District facilities.

- i. Detention Facilities. Mr. Plunkett reported that Champions Hydro-Lawn, Inc. is still in the process of reworking/regarding the back slope swale in the Three Lakes detention pond.
 - ii. Water Well No. 4. The Operator next reported that Alsay, Inc. has moved the rig on site to reinstall the reworked well pump motor when it arrives and is about to pull the rental motor.
 - iii. Water Plant No. 2. Director Lackey reported that the air conditioning unit will be installed at Water Plant No. 2 next week.
- c. Diesel Fuel Supply. Mr. Plunkett reported that he had received additional information from Moffatt Fuels and does not believe that the SAFE Program is the way to go for the District. He has, therefore, requested information from other vendors regarding their final fuel supply programs.
- d. Houston Garden Center. Director Ward then questioned the Operator regarding the status of the temporary connection at Houston Garden Center. Mr. Johnson responded that his surveyor had to go out to do some field work and then order a title report prior to getting the easements needed to make a permanent connection at Houston Garden Center.
- e. Wastewater System Vulnerability Assessment. Mr. Plunkett reported that he had received a notice from the state with respect to conducting a vulnerability assessment for the District's wastewater system but thought that it would be best for the District to wait to receive some guidelines from the Texas Commission on Environmental Quality before proceeding.
- f. Termination of Service and/or Write-Off of Delinquent Accounts. The Operator next directed the Board's attention to the Cut-off List, a copy of which is attached to the Operator's Report.

Upon motion by Director Dunn, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized termination of service of the District's delinquent customers in accordance with the provisions of the District's Rate Order.

4. ENGINEER'S REPORT. The President then recognized Mr. Johnson, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

- a. Engineer's Action Item(s). Mr. Johnson reported that he had no items needing Board action.
- b. Water Plant No. 2, including Water Well No. 4 Pump Motor. Mr. Johnson then reported that Sun-Star Electric in Lubbock repaired the Water Well No. 4 pump motor and the power leads and that the motor is scheduled to arrive in Houston next week.

c. Construction and Maintenance Projects, Including Pay Estimates, Change Orders for Trailer-Mounted Engine Generator set. The trailer-mounted backup generator is scheduled to be delivered on January 5, 2007 and demonstration and training is scheduled for January 14, 2007, reported Mr. Johnson.

d. Bond Application No. 9. Mr. Johnson next reported that work is approximately 95% complete on the Bond Application No. 9 and the Engineer is revising the application to include funding for the proposed Water Well No. 6 at a cost of \$2,000,000. Mr. Johnson noted that if the District determines that it has sufficient surplus funds to pay for all or a portion of Water Well No. 6, then the District does not have to sell all of the bonds.

e. Projected Build-out of Residential and Commercial Reserves. Mr. Johnson next directed the Board's attention to a spreadsheet updating the projected build-out of residential and commercial reserves in the District, a copy of which is attached to the Engineer's Report.

f. Houston Garden Center. Mr. Johnson reported that the waterline to serve Houston Garden Center will be constructed down the west side of Twin Buttes Drive and that it will have to be extended in order to put in the 2-inch meter.

g. Street Acceptance. Mr. Johnson next directed the Board's attention to the updated spreadsheet relating to the status of street acceptance by Harris County (the "County"). Mr. Johnson noted that Willow Falls, Section 3's inspection was held last month and that they are waiting on approvals from the County. Discussion then ensued regarding changing "Piney Bend Court" to "Piney Bend Trail" because the County has notified the Engineer that the "Piney Bend Court" name is duplicated and may cause some confusion to emergency personnel.

h. Developer Projects. Finally, with respect to the Cobblestone Tract, Mr. Johnson reported that the Developer is requesting that the Engineer commence preparing easement descriptions for waterline and sanitary sewer easements to serve the tract.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report as presented.

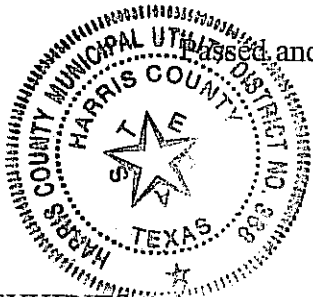
5. DEVELOPERS REPORT.

a. Cobblestone. Mr. Dunham reported that the property is on the market and that they hope to have a buyer soon.

b. Willow Falls. Mr. Padau reported that they are starting to work with Center Point Energy to relocate some polls they are going to need to move in order to develop Willow Falls Sections 4 and 5. Mr. Padau also stated that they will probably start building in Section 5 first because they will need to widen Boudreaux Road for a left-turn lane for Willow Falls, Section 4.

6. ATTORNEY'S REPORT. The President then recognized Ms. Corprew to present the Attorney's Report. Ms. Corprew reported that the City of Houston ("City") is moving right along with the limited purpose annexations with respect to the District's Strategic Partnership Agreement ("SPA") with the City. Ms. Corprew stated that the next step in the annexation process is for the District to conduct two (2) public hearings regarding the proposed SPA and that notice of the hearings must be given in English, Spanish and Vietnamese. The Board determined that the hearings should be held at the next two (2) District meetings, Thursday, January 18, 2007 and Thursday, February 1, 2007. Discussion then ensued regarding the most effective and cost efficient means of giving notice to the District's customers. It was the consensus of the Board that the Attorney place the notice of the hearings in the Houston Chronicle. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Attorney's Report as presented.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the President adjourned the meeting at 8:22 p.m.



and approved this 1st day of February, 2007.


Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Engineer's Report