

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

February 1, 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 February 1, 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"); Doug Sebastian of KB Home Houston ("KB"); and Andrew P. Johnson, III, 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 6:40 p.m.

1. LIMITED PURPOSE ANNEXATION PUBLIC HEARING. The President called the hearing to order at 6:40 p.m., in accordance with notice published in The Houston Chronicle regarding the District's entering into a Strategic Partnership Agreement (the "SPA") with the City of Houston whereby the commercial properties within the District's boundaries along the State Highway 249 corridor will be annexed into the City of Houston for the purpose of collecting sales taxes from those businesses the proceeds of which would be split between the City of Houston and the District. There being no members of the general public present to speak at the hearing, the President adjourned the public hearing at 6:42 p.m.

2. PUBLIC COMMENTS. There were no public comments.

3. APPROVE MINUTES. The Board next considered approval of the minutes of the January 4, 2007 meeting. 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 January 4, 2007 meeting with corrections noted.

4. 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 103.2% accountability rate with 2933 accounts.

b. Repairs and/or replacements at District facilities. The Operator reported that the Water Well No. 4 pump motor is still in Lubbock.

c. Diesel Fuel Supply. Mr. Plunkett reported that he is looking into fuel suppliers and that H&W were almost twice as much as Moffatt Customized Fuels. Mr. Plunkett stated that he would look back at some run times which will probably save a few dollars. Director Ward asked the Operator to check with Jam Distributors.

d. 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 Ward, seconded by Director Cook, 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.

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

a. Water Well No. 6. Mr. Stendahl first updated the Board on the status of the site acquisition for Water Well No. 6. Mr. Stendahl reported that Ms. Diane Allen in the Attorney's office has contacted two property owners who are willing to talk about selling. Mr. Stendahl then reported that he and Director Lackey had met with Mr. Schindewolf, General Manager, and Mr. Rolan, Engineering Manager, Turner Collie & Braden of the North Harris County Regional Water Authority ("RWA") last week to discuss what the District would need in a take-or-pay contract. Mr. Stendahl presented and reviewed various scenarios with the Board as proposed to the RWA. Mr. Stendahl suggested that the Board authorize the District's Attorney to write a letter of intent to the RWA stipulating that the District will need 300,000 gallons per day ("gpd") at a minimum and 576,000 gpd at a maximum. Mr. A. Johnson then explained the groundwater transfer program. Mr. A. Johnson then stated that his firm has a conflict of interest in this matter in that they are also the attorney for the RWA. [Mr. Padau entered the meeting at this time, 7:35 p.m.] The conflict issue was discussed and Mr. Johnson stated that he would have a letter prepared relating to the rules for attorneys in handling of conflicts of interest.

b. Motor Control Center (Water Plant No. 1). Mr. E. Johnson reported that the electrical engineer is approximately 90% completed; however, the bid preparation had stopped until such time as the District locates a site for Water Well No. 6.

c. Wastewater Treat Plant, Phase 4 Expansion. Mr. E. Johnson reported that plans have been approved by the City of Houston and Harris County and a schedule for bid advertisement is tentatively set to begin in April, depending upon the timing of Bond Application No. 9.

d. Channel M-122 Maintenance. Mr. E. Johnson reported that Teppco Pipeline Company has granted permission for the District to cross their road during construction. Mr. E. Johnson then stated that he would like to do a global study at a cost of approximately \$15,000, provided the project does not require a whole lot of surveying work. Mr. E. Johnson further stated that the study would take approximately one month to complete and it would assist them in determining the impact of future development on the channel.

e. Bond Application No. 9. Mr. E. Johnson reported that the work on the application for Bond Issue No. 9 is approximately 95% complete and that the size of the issue is now \$10,920,000 due to the addition of Water Well No. 6. Discussion ensued regarding the necessity of including the new water well in the bond application until the RWA gives its answer as to how the well would be treated. Mr. A. Johnson stated that the District should also have surplus funds to draw from. Discussion ensued regarding the necessity for a water well and whether bonds should be sold to fund such well.

f. Houston Garden Center. Mr. E. Johnson reported that Pate had completed the descriptions for the 20' water line easement crossing the Houston Garden Center and the Santikos' tracts adjacent to State Highway 249 and the 10' water line easement from Twin Buttes Drive to the Houston Garden Center. Ms. Allen in the Attorney's office is preparing the easement documents for execution by the land owners and the District.

Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report as presented and authorized the Attorney to forward a Letter of Intent to the RWA.

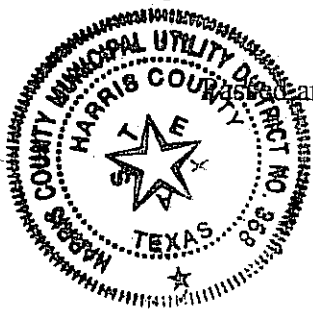
6. DEVELOPERS REPORT. The President first recognized Mr. Padau who reported that the builder had a new model home to open in Willow Falls but that there had not been much activity due to the inclement weather. Mr. Sebastian next reported that KB had only 3 or 4 move-ins in the last month.

7. EXECUTIVE SESSION. At 8:19 p.m., the President called an Executive Session pursuant to 551.071(a) (1) to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site acquisition. All attendees were dismissed, with the exception of


the Board, Engineers and Attorneys. At 8:37 p.m., the President declared the Executive Session over and reconvened the meeting in open session where no action was taken.

8. ATTORNEYS REPORT. The President next recognized Mr. A. Johnson who stated that the Board needed to approve the SPA with the City of Houston in view of the fact that they had held the two public hearings and no one objected to the annexations. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approve the SPA and authorized the execution of same. Mr. Johnson then reported that he needed the Board to execute a new contract for general counsel and bond counsel services with his firm, explaining that he had recently had the Texas Commission on Environmental Quality escrow fees from a bond issue because the consulting contract with the particular district was still under the name of his firm prior to the addition to Ms. Bobbitt. Mr. A. Johnson then reviewed the proposed new fee schedule with the Board Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the new contract with Johnson Radcliffe Petrov & Bobbitt PLLC.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, seconded by Director Dunn, with all Directors present voting aye, the President adjourned the meeting at 8:41 p.m.



and approved this 15 day of March, 2007.


Secretary, Board of Directors

EXHIBITS:

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