

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

November 4, 2004

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, 25510 Tomball Parkway, Tomball, Texas on Thursday, November 4, 2004, pursuant to 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
Drexel Moerbe	Assistant Secretary

All members of the Board were present. Consultants attending were: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); and Andrew P. Johnson, III and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Others in attendance were: Jeff Moody of KB Home ("KB"); A.J. Sullivan and Justin Chapman of Sam Yager Inc./Willow Falls Development, Ltd. ("Willow Falls"); and Erik Haaland of RPDC, Inc. ("RPDC"). Also attending the meeting was Andrew Dunn, a District resident and the District liaison with Harris County Constable's Department.

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 6:53 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. There were no members of the general public present to address the Board.

2. APPROVAL OF MINUTES. The Board then considered approval of the minutes of the October 7 and 9, 2004 meetings, previously distributed to the Board. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 7, 2004 meeting, as amended, and October 9, 2004, 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." Mr. Plunkett first reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

a. Northern Point Lift Station. Mr. Plunkett then reported that a great deal of silt from the Northern Point Lift Station has drained into the District's Wastewater

Treatment Plant. Mr. Boozer agreed to work with KB and its engineer, Turner, Collie & Braden, to resolve this matter.

b. Collection Agency Request. Next, Mr. Plunkett directed the Board's attention to the Collection Agency Request attached to the Operator's Report and explained that he is requesting that the Board to authorize him to forward the delinquent service accounts listed on such Request to the collection agency.

c. Vulnerability Assessment. Mr. Plunkett then stated that he anticipates receiving the Emergency Response Plan back from Nova Water Infrastructure Security ("Nova") in time to have it approved at the December 2, 2004 Board meeting. Mr. Plunkett explained that such Plan was previously authorized when the Board reviewed the Vulnerability Assessment prepared by Nova.

Upon motion by Director Moerbe, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report, authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order, and authorized the Operator to forward the delinquent accounts listed on the Collection Agency Request to the collection agency.

4. ENGINEER'S REPORT. The President next recognized Mr. Boozer, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B." Attached to the Engineer's Report are copies of the pay estimates, change orders, utility commitments, and the recommendation of award of contracts discussed therein. Mr. Boozer reviewed the Report as follows:

a. Engineer's Action Items. Mr. Boozer explained that the District's Engineer is requesting the following actions be taken by the Board at tonight's meeting: (1) approve Pay Application No. 1 in the amount of \$36,000.00 to Industrial TX Corporation for the construction of Water Plant No. 2; (2) approve Pay Application No. 10 in the amount of \$279,383.07 to N&S Construction Company, LLC ("N&S") for Wastewater Treatment Plant Expansion from 0.575 MGD to 0.90 MGD; (3) approve the award of the contract to the low bidder, Clearwater Utilities, in the amount of \$564,911.15 for the construction of the water, sewer and drainage facilities to serve Stonepine, Section 2; and (4) approve Pay Application No. 2 from R+B Group, Inc. for the Ashford Place Lift Station in the amount of \$25,407.00 (collectively referred to herein as the "Engineer Action Items").

b. Application for Eighth Issue of Bonds. Mr. Boozer reported that the application is nearly complete and that he is waiting for additional information from NewQuest Properties.

[Mr. Dunn exited the meeting at this time.]

c. District Maintenance Building. Mr. Boozer then presented a revised plan for the proposed District maintenance building, a copy of which is attached to the

Engineer's Report. The Board requested some additional revisions to the plans then directed Mr. Boozer to obtain two (2) different cost estimates, one (1) for constructing the building without finishing out the interior and one (1) for building out the facility.

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

5. DEVELOPERS' REPORT. The Developers then reported on the sales status of their various development projects.

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew, who presented the Attorney's Report, a copy of which is attached hereto as Exhibit "C," and reported as follows:

a. Continuing Disclosure Materials. Ms. Corprew stated that the District had an obligation to update on an annual basis certain financial information contained in the Official Statements for the District's various bond issues, which information would serve to keep bondholders and other interested parties apprised of the financial strength of the District, and recalled that the Board authorized the preparation of such materials at the October 7, 2004 meeting. Since that time, the District's Financial Advisor has recommended the use of the District's Official Statement from the District's 2004 Series Bonds since it was prepared subsequent to the District's fiscal year end, explained Ms. Corprew.

b. Electricity Provider Update. Next, Ms. Corprew directed the Board's attention to the correspondence from Dick Lewis of American Enerpower who the Board engaged to assist the District in transferring the electricity accounts to a more economically favorable provider, and explained that Mr. Lewis is recommending the Board take no action at this time due to the current rates.

Upon motion by Director Ward seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Attorney's Report and authorized the Attorney to file the Continuing Disclosure Materials with the proper agencies as required by the District's various Official Statements.

7. Miscellaneous Matters. Director Lackey then distributed for the Board's review a letter which he distributed to the residents residing along the outfall channel/storm water drainage ditch which runs between Willow Falls and Stonepine Creek subdivisions, a copy of which is attached hereto. Director Lackey explained that the purpose of the letter had been to notify the residents that the District has contracted to have such drainage ditch cleaned up, which will include the removal of the trees in the area.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Cook, the meeting was adjourned at 8:05 p.m.

PASSED and APPROVED this the 2nd day of December, 2004.

Secretary, Board of Directors

(SEAL)

EXHIBITS

- A - Operator's Report
- B - Engineer's Report
- C - Attorney's Report
- D - Letter from Board to Residents in Willow Falls and Stonepine Creek subdivisions regarding Storm Water Ditch Rehabilitation