

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

December 2, 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, December 2, 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 Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Others in attendance were: Jeff Moody of KB Home ("KB"); A.J. Sullivan of Sam Yager Inc./Willow Falls Development, Ltd. ("Willow Falls"); and Loan Ho of RPDC, Inc./Stonepine Creek Ltd. ("Stonepine").

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 6:50 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 November 4, 2004 meeting, previously distributed to the Board. Upon motion by Director Cook, seconded by Director Moerbe, after discussion and with all Directors present voting aye, the Board approved the minutes of the November 4, 2004 meeting, as presented.

Director Ward arrived at the meeting at this time.

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. 11818 South Brenton Knoll Delinquent Account. Mr. Plunkett reported that he has determined that the resident at 11818 South Brenton Knoll, who was reported as having made an illegal connection to obtain water service after his service was

terminated for non-payment, has moved out of the District. Mr. Plunkett requested the Board's authorization to send the account, which is \$525 in arrears, to collections.

b. Emergency Response Plan. Mr. Plunkett then requested the Board's approval of the Emergency Response Plan prepared by Nova Water Infrastructure Security ("Nova"), previously distributed to the Board. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Emergency Response Plan, a copy of which is in the District's files.

c. Amendment of Rate Order. Next, the Board considered whether to amend the District's Rate Order to revise the penalties assessed to customers for making illegal connections. Mr. Plunkett stated that he has reviewed the terms of the Rate Order regarding such illegal connections and believes they are consistent with what other municipal utility districts are assessing for penalties. Mr. Plunkett then suggested the Board consider the inclusion of language in the Rate Order declaring it a Rate Order violation for a resident to connect a garden hose to another customer's water line in order to obtain water service. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Order Amending Rate Order with the revisions suggested by Mr. Plunkett, a copy of which is attached hereto as Exhibit "B."

Upon motion by Director Bishop, 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 for 11818 South Brenton Knoll 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 "C." 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. 9 and Final to Nunn Constructors, Ltd. for the Water Plant No. 1 booster pump additions and hydropneumatic tank replacement in the amount of \$12,791.54; (2) authorize the submission of the Resolution Authorizing Application to Texas Commission on Environmental Quality (the "TCEQ") for Release of Funds from Escrow for Water Plant No. 2; (3) approve Change Order No. 4 in the amount of \$7,020 to N&S Construction Company, LLC for additional work related to the Wastewater Treatment Plant Expansion from 0.575 MGD to 0.90 MGD; (4) approve Pay Application No. 1 in the amount of \$49,548.10 to Rebel Contractors, Inc. for the outfall drainage channel rehabilitation project; (5) authorize the submission of the Application for Eighth Issuance of Bonds to TCEQ (the "Bond Application"); (6) authorize preparation of

design proposals for the District Maintenance Building; (7) approve Pay Application No. 4 for water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1 from Triple B Services, LLP in the amount of \$190,554.43; (8) approve Pay Application Nos. 3 and 4 from R+B Group, Inc. for the Ashford Place Lift Station in the amount of \$29,385.00 and \$22,725.00, respectively; and (9) approve Pay Application No. 3 in the amount of \$128,797.29 from Triple B for Northern Point, Section 2 water, sewer and drainage facilities (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 1 Booster Pump Additions and Hydropneumatic Tank Replacement. Mr. Boozer reported that the Water Plant No. 1 booster pump additions and hydropneumatic tank replacement project is complete and that Pay Application No. 9 and Final is being presented for approval at tonight's meeting along with a Change Order from the Engineer for additional professional engineering services related to this project in the amount of \$8,050, a copy of which is attached hereto as Exhibit "D."

c. Bond Application. Mr. Boozer then distributed for the Board's review a draft of the Bond Application and requested the Board's comments be provided as soon as possible. Mr. Boozer explained that the Bond Application needs to be quite thorough since the District is requesting expedited review.

d. District Maintenance Building. Mr. Boozer then requested authorization to proceed with soliciting proposals for an architect and/or structural engineer to design the District's maintenance building. The Board then inquired about the two (2) cost estimates for the two (2) different designs previously proposed, and Mr. Boozer reported that they were not yet available. Mr. Boozer agreed to obtain this information and forward it to the Board.

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, the Engineer's Action Items, as requested, and the Change Order from the Engineer for the Water Plant No. 1 project.

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 "E," and reported as follows:

a. Resolution Requesting Estimated Appraised Values. Ms. Corprew presented a Resolution Requesting Estimated Appraised Values from Harris County Appraisal District as of December 1, 2004, a copy of which is attached hereto as Exhibit "F" and explained that the District's Financial Advisor has requested the Board approve such Resolution in order to include the estimate of appraised values as of December 1, 2004 with the Bond Application.

b. Order Adding Land and Redefining Boundaries. Next, Ms. Corprew presented an Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit G," and reported that the City of Houston has given its consent to the annexation by the District of the Great America Company's tract, the Ashford Place subdivision. Ms. Corprew requested the Board adopt such Order and authorize the recording of same with the Harris County Real Property Records.

c. Interlocal Agreement for Law Enforcement Services with Harris County for 2005. Ms. Corprew then presented the Interlocal Agreement for Law Enforcement Services with Harris County for 2005, a copy of which is attached hereto as Exhibit "H," for the Board's approval.

Upon motion by Director Cook seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board: (1) approved the Attorney's Report; (2) adopted the Resolution Requesting Estimated Appraised Values from Harris County Appraisal District as of December 1, 2004 and the recordation of same; (3) adopt the Order Adding Land and Redefining Boundaries for the inclusion of the Ashford Place subdivision; and (4) approve the Interlocal Agreement for Law Enforcement Services with Harris County for 2005.

7. Miscellaneous Matters. The Board then discussed the condition of the Parkway Chevrolet detention basin, and Mr. Boozer agreed to discuss the rehabilitation of it with the developer. Ms. Corprew explained that the District could withhold the reimbursement for the project from the developer until the basin is in acceptable condition.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 8:30 p.m.

PASSED and APPROVED this the ____ day of January, 2005.

Secretary, Board of Directors

(SEAL)

EXHIBITS

- A - Operator's Report
- B - Order Amending Rate Order
- C - Engineer's Report
- D - Change Order from the Engineer for Water Plant No. 1 booster pump project
- E - Attorney's Report
- F - Resolution Requesting Estimated Appraised Values from Harris County Appraisal District
- G - Order Adding Land and Redefining Boundaries (Ashford Place Subdivision)
- H - Interlocal Agreement for Law Enforcement Services with Harris County for 2005