

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

January 6, 2005

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, January 6, 2005, 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").

Developers 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"); Erik Haaland of RPDC, Inc./Stonepine Creek Ltd. ("Stonepine"); Brannon Boozer of D.R. Horton-Texas, Ltd. ("D.R. Horton"); Nino Corbett of Compass Land Development ("Compass"); and Frank Lenk and Bob McElroy representing Joe Lee Todd.

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 December 2, 2004 meeting, previously distributed to the Board. Upon motion by Director Cook, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the minutes of the December 2, 2004 meeting, 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. Fuel Surcharge Increase. Mr. Plunkett reported that Envirogenics, the District's sludge hauler, has increased the diesel fuel surcharge from \$.05 to \$.055 per gallon.

b. Moffitt's Proposal to Provide Emergency Diesel Fuel Delivery and Maintenance Services for the District. Mr. Plunkett then explained that Roy Moffitt Customized Fueling, Inc. ("Moffitt") has requested the Board approve a new fuel contract in order to add the Northern Point Lift Station and that the contract includes a new 2-year term. Upon motion by Director Moerbe, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the Moffitt Proposal to Provide Emergency Diesel Fuel Delivery and Maintenance Services for the District, 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 and authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order.

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. 2 in the amount of \$372,785.39 to TX Corp. for the construction of Water Plant No. 2; (2) approve Pay Application Nos. 11 and 12 in the amount of \$40,704.22 and \$93,434.35, respectively, to N&S Construction Company, LLC for the Wastewater Treatment Plant expansion from 0.575 MGD to 0.90 MGD; (3) approve Pay Application No. 2 in the amount of \$95,428.40 to Rebel Contractors, Inc. for the outfall drainage channel rehabilitation project; (4) approve design proposals for the District Maintenance Building; (5) approve Pay Application No. 5 for water distribution, sanitary sewer and drainage facilities to serve Stonepine, Section 1 from Pace Services, Inc. in the amount of \$17,061.80; (6) approve Pay Application No. 5 for water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1 from Triple B Services, LLP in the amount of \$42,237.00; (7) authorize advertising for bids for water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 2; (8) approve Pay Application No. 16 in the amount of \$0 for Northern Point, Phase 1 Detention Pond excavation, clearing, grubbing and mass grading; and (9) approve Pay Application Nos. 12, 13 and 14 in the amount of \$95,428.40, \$0 and \$22,624.25, respectively, from Reddico Construction Co. for Northern Point, Section 1 water, sewer and drainage facilities (collectively referred to herein as the "Engineer Action Items").

b. Outfall Drainage Channel Rehabilitation Project. Mr. Boozer then reported that the design of the outfall drainage channel has been changed in order to avoid having to move more dirt onsite and thus increase the contract amount.

c. District Maintenance Building. Mr. Boozer then reviewed the engineering proposal for designing the District's maintenance building. The Board inquired about the amount of funds included in the Series 2004 Bonds designated for this project, and Mr. Boozer stated that he was uncertain. The Board decided to defer this matter to the January 20, 2005 meeting until such amount could be determined.

[Director Ward arrived at the meeting at this time.]

d. 55-Acre Proposed Annexation Tract. Next, Mr. Boozer explained that Jesus Gallegos, the owner of the 55-acre Todd tract, and Great America Companies have agreed to do a joint development project of the 55-acre tract. Mr. Boozer then presented to the Board an Application for Service and Annexation and a \$7,500 deposit for a feasibility study, a copy of which is attached hereto as Exhibit "D." The Board agreed to consider the request at the January 20, 2005 meeting.

e. Parkway Chevrolet Detention Basin. Mr. Boozer next reported that he has spoken with Steve of NewQuest Properties, the developer, to explain to him that the Parkway Chevrolet Detention Basin will need to be brought up to specifications before the District will reimburse the developer for this site.

f. Pay Application No. 5 to Pace Services, Inc. Director Ward then inquired about certain items on the Application, and Mr. Boozer agreed to look into the matter.

Upon motion by Director Ward, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report and the Engineer's Action Items, with the exception of Action Item No. 4, which was deferred, and Action Item No. 5, which was approved, subject to Mr. Boozer confirming the accuracy of the items.

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

a. Willow Falls, Section Three (Water, Sewer and Drainage Facilities). Mr. Sullivan then requested the Board authorize the Engineer to advertise for bids for the construction of the water, sewer and drainage facilities to serve Willow Falls, Section Three subdivision. Upon motion by Director Lackey, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board authorized the Engineer to advertise for bids for the construction of the water, sewer and drainage facilities to serve Willow Falls, Section Three subdivision.

[Mr. Corbett then entered the meeting.]

b. 29-Acre Todd Tract. Mr. Corbett introduced himself and explained that he is interested in developing in the District and is attending the meeting to find out more about the 29-acre Todd tract, as well as other potential development areas. Director Lackey then recognized Mr. Lenk, who reported that he represents Mr. Joe Lee Todd, the owner of the 29-acre Todd tract. Mr. Lenk stated that they are interested in annexing the tract into the District and would like to know the procedure for doing so. Ms. Corprew explained that the owner will need to complete an Application for Service and Annexation and deposit funds for a feasibility study. Mr. Lenk then presented a letter agreement between Mr. Todd and the District regarding annexation of the tract. The Board discussed the matter and agreed to consider the request at the January 20, 2005 meeting and asked Mr. Todd to forward a completed Application for Service and Annexation to the Attorney.

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. Easements for Ashford Place Subdivision. Ms. Corprew explained that Mr. Gallegos has agreed to convey to the District a Water Line Easement and a Sanitary Sewer Easement that will serve the Ashford Place subdivision. Ms. Corprew requested the Board approve and accept the Easements, copies of which are attached hereto as Exhibit "F."

b. Order Amending and Restating District Information Form. Ms. Corprew then presented an Amended District Information Form and explained that such Form needs to be amended in order to include the Claiborne 30-acre annexation tract and the 79-acre Great America (Ashford Place subdivision) annexation tract. A copy of the Order Amending and Restating District Information Form is attached hereto as Exhibit "G."

Upon motion by Director Ward, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board: (1) approved the Attorney's Report; (2) approved and accepted the Gallegos Water Line Easement and Sanitary Sewer Easement; and (3) adopted the Order Amending and Restating District Information Form.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 8:15 p.m.

PASSED and APPROVED this the 3rd day of February, 2005.

Secretary, Board of Directors

(SEAL)

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EXHIBITS

- A - Operator's Report
- B - Moffitt Proposal to Provide Emergency Diesel Fuel Delivery and Maintenance Services for the District
- C - Engineer's Report
- D - Application for Service and Annexation regarding 55-Acre Proposed Annexation Tract
- E - Attorney's Report
- F - Water Line Easement and Sanitary Sewer Easement
- G - Order Amending and Restating District Information Form