

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

November 3, 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, 22510 Tomball Parkway, Tomball, Texas, on November 3, 2005, 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

All members of the Board were present. Also attending were Tracy Riley of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E., of Pate Engineers, Inc. ("Engineer"); Cary Dunham of Dungrove, L.L.C., representing Cobblestone Construction, Inc. ("Cobblestone"); Allison Dunn, resident of the District; and Andrew P. Johnson, III, Kaye C. Corprew and Marian D. Henderson of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorneys").

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 7:15 p.m. and declared it open for such business as may come before it.

1. APPOINTMENT OF DIRECTOR. The Board first considered appointment of a director to fill the vacancy on the Board created by the disqualification of Drexel Moerbe, whose term was to end May 2006. Director Lackey confirmed that Allison Dunn is qualified and willing to serve on the Board. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board accepted the Affidavit of Director Qualifications submitted by Ms. Dunn and appointed her to complete the term of office vacated by Mr. Drexel. Ms. Dunn then submitted her Statement of Elected/Appointed Officer and upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board accepted the Statement of Elected/Appointed Officer. At the direction of the Board, the Oath of Office was then administered to Ms. Dunn to commence her official service on the Board. Ms. Corprew noted that Ms. Dunn's Oath of Office will be filed with the office of the Secretary of State, as provided in §49.055, Texas Water Code, as amended.

2. PUBLIC COMMENTS. There were no public comments.

3. APPROVE MINUTES. The Board then considered approval of the minutes of the meeting of October 6, 2005. Upon motion by Director Cook, seconded by Director Lackey,

after discussion and with all Directors present voting aye, the Board approved the minutes as presented.

4. OPERATOR'S REPORT. The President next recognized Mr. Riley who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A". Mr. Riley reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

- a. Superior Water Rating. Mr. Riley reported that all of the Superior Water signs have been installed except for the one in the Ashford Place subdivision.
- b. Customer Matters. Mr. Riley then reported to the Board that the Operator had discovered that an illegal water meter had been connected to the line serving 12102 Piney Way Court after the District's meter had been removed due to the customer's delinquent account. He stated the customer subsequently moved out leaving an outstanding balance of \$190 after the deposit was applied.
- c. Repairs. Mr. Riley reported that booster pump no. 1 had been repaired and placed back in service at Water Plant No. 1 and that the Contractor will be out Friday, November 4, 2005, to repair booster pump no. 2. He then stated that the repairs are covered under the warranty.

Director Ward reported that he had investigated the costs of removing the silt ("de-silting") from the District's drainage channels which, he believes, will save the District time and money since they will not have to be cleaned out as often. Director Ward recommended that the Board authorize Champions Hydro-Lawn to de-silt the existing channels at the price previously quoted, \$8,899, and wait until the spring to extend the channels, as previously discussed.

Next, Director Lackey reported that the Ashford Place Lift Station work is complete and that Water Plant No. 2 has approximately another three (3) weeks of work before it is completed.

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 as presented and the termination of the accounts listed on the Termination List for non-payment of water and sewer services in accordance with the provisions of the District's Rate Order and authorized Champions Hydro-Lawn to de-silt the drainage channels at a cost not to exceed \$8,899.

5. 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/or 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. 11 in the amount of \$51,768.42 to Industrial TX Corp. for the construction of Water Plant No. 2; (2) approve Pay Application No. 4 in the amount of \$1,805.00 to Bay Utilities, LLC for Willow Falls, Section 3, water distribution, sanitary sewer and drainage facilities; (3) approve Pay Application No. 7 and FINAL in the amount of \$14,554.26 to Lecon, Inc. for Ashford Place Detention Facilities; and (4) approve Pay Application No. 8 and FINAL in the amount of \$26,083.00 to R + B Group, Inc. for the Ashford Place Sanitary Lift Station (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2. Mr. Boozer reported that the construction of Water Plant No. 2 is approximately 85% complete.

c. Wastewater Treatment Plant. With regard to the expansion of the District's Wastewater Treatment Plant, Mr. Boozer reported that the electrical subcontractor is working on the punch list items.

d. District Maintenance Building. Mr. Boozer reported that the plans have been changed to reflect a concrete driveway rather than a crushed rock driveway.

e. Miscellaneous Matters. Director Ward then reported that the fence between the new retail center and Pinecrest Forest Subdivision, Section 12, has fallen down and inquired as to whose responsibility it is to repair the fence. Discussion ensued and it was determined that it is a homeowners association issue.

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 and the Engineer Action Items.

6. DEVELOPER'S REPORTS. Mr. Dunham reported that he is working on the drainage easement issue in the Cobblestone Construction, Inc. 33-acre proposed annexation tract and working with Texas Department of Transportation to obtain access from State Highway 249.

[Mr. Dunham departed the meeting at 8:14 p.m.]

7. ATTORNEY'S REPORT. Director Lackey next recognized Ms. Corprew, who presented the Attorney's Report as follows:

a. Cobblestone Annexation. Ms. Corprew reported that she is waiting on the Developer's comments to the Annexation Agreement and Water, Sewer and Drainage Facilities Reimbursement Agreement and, therefore, action on the proposed annexation should be tabled to a future Board meeting.

b. Amendment to Emergency Water Supply Agreement. Ms. Corprew reported that she had forwarded the First Amendment to the Emergency Water

Supply Agreement (the "Amendment") to the attorney for Northwest Harris County Municipal Utility District No. 15 ("NW#15") for approval. Director Lackey then reported that he has discussed the proposed rate with the President of the NW#15 Board and that he thought that the \$1.00/1,000 gallons will be accepted by the Board at their next meeting, November 29, 2005.

c. Strategic Partnership Agreement. Ms. Corprew reported that her office is waiting on maps from the District's Engineer identifying all the commercial properties within the District to complete the application.

d. Republic Waste Letter. Ms. Corprew next directed the Board's attention to the letter from Republic Waste previously distributed to the Board, a copy of which is attached hereto as Exhibit "C," requesting \$0.75 per connection to help defray the cost of excess garbage disposal fees resulting from Hurricane Rita. Discussion ensued regarding the matter and Mr. Johnson distributed a draft of a letter to Republic Waste declining the increase on behalf of the District, a copy of which is attached hereto as Exhibit "D." The Board agreed with Mr. Johnson's recommendation and directed the Attorney to forward such letter to Republic Waste.

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.

[Mr. Riley departed the meeting at this time.]

8. EXECUTIVE SESSION. At 8:30 p.m., the President called an Executive Session pursuant to 551.071(a) (1) to seek advice from counsel regarding contract negotiations and potential litigation concerning the District's contract with Industrial Texas Corp. to construct Water Plant No. 2. All attendees were dismissed, with the exception of the Board, Engineer and Attorneys. At 8:45 p.m., the President declared the Execution Session over, reconvened the meeting in open session and announced that no action was taken in Executive Session.

9. ENGINEERING PROPOSAL. The Board next directed its attention to the Engineer's request for an adjustment in compensation due to the increased construction time and monitoring time involved for both the Wastewater Treatment Plant and Water Plant No. 2 projects. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved a \$9,200.00 increase in compensation with respect to the Wastewater Treatment Plant. The increase in compensation with respect to Water Plant No. 2 was tabled.

10. APPOINTMENT OF OFFICER. Ms. Corprew then explained that the office of Assistant Secretary on the Board is vacant and suggested the Board appoint Ms. Dunn to such position. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, with the exception of Director Dunn, the Board appointed Director Dunn to the position of Assistant Secretary of the Board.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, the meeting was adjourned at 8:55 p.m.

Passed and approved this 20th day of December, 2005.

Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Engineer's Report
- C - Letter from Republic Waste
- D - Draft of Attorney's letter to Republic Waste