

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

### MINUTES OF BOARD OF DIRECTORS MEETING

November 17, 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 17, 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
Allison Dunn	Assistant Secretary

All members of the Board were present with the exception of Director Ward. Also attending were Wendee Gamble of P. J. Hargis & Associates ("Bookkeeper"); Ben Pawlak of Bob Leared Interests ("Tax Assessor/Collector"); Andrew Dunn liaison with Harris County Constable's Office; 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 6:55 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. There was no public comment.
2. CONSTABLE'S REPORT. The President next recognized Mr. Dunn, who presented and reviewed with the Board the Harris County Constable's Report of security patrols in the District. Mr. Dunn reported that the fourth Deputy Constable started patrolling the District on November 5, 2005. [Mr. Dunn departed the meeting at the conclusion of his report.]
3. MINUTES OF PRIOR MEETING(S). Approval of the previous minutes was tabled until the next meeting.
4. TAX ASSESSOR/COLLECTOR'S REPORT. The President then recognized Mr. Pawlak who presented and reviewed with the Board the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "A". Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented. [Mr. Pawlak departed the meeting at the conclusion of his report.]

5. DELINQUENT TAX ATTORNEY REPORT. Ms. Corprew then distributed for the Board's review the Delinquent Tax Report prepared by the District's Delinquent Tax Attorney, Perdue, Brandon, Fielder, Collins & Mott L.L.P. ("Perdue Brandon"), a copy of which is attached hereto as Exhibit "B." Ms. Corprew reported that no action is needed at this time.

6. BOOKKEEPER'S REPORT. Director Lackey next recognized Ms. Gamble, who presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "C". Discussion ensued regarding the accuracy of the invoices received from Roy Moffitt Customized Fueling ("Moffitt") and Republic Waste Services ("Republic"). The Moffitt invoice was determined to be correct; however, the Republic check was voided and reissued after Director Lackey explained to the Bookkeeper that the Board had decided at the November 3<sup>rd</sup> meeting not to assess the District's customers an additional \$0.75 per connection in connection with Hurricane Rita as requested by Republic. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report.

7. NEW BUSINESS. The Board then discussed the following:

- a. Northern Point Subdivision, Sections 4 and 5, Utility Commitments. Ms. Corprew next presented the Board with two (2) Utility Commitment Letters prepared by the District's Engineer for the Northern Point Subdivision project, Sections 4 and 5. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Utility Commitment Letters, copies of which are attached hereto as Exhibits "D-1" and "D-2".
- b. Proposed Development of 29-Acre Todd Tract by Trophy Homes. Then, Ms. Corprew stated that she has nothing new to report and recommended any discussion regarding this matter be deferred to another meeting.

8. OLD BUSINESS. The Board then discussed the following:

- a. Strategic Partnership Agreement (the "SPA"). Ms. Corprew then reported that the District's Application for an SPA has been submitted to the City of Houston (the "COH") and that the Board will be required to hold two (2) public hearings with respect to the proposed limited purpose annexation. She went on to explain that the hearings may be conducted within the District's regularly scheduled meetings but that until the District receives further instruction from the COH, there is no need to schedule such hearings.
- b. Proposed Annexation of 33.005-acre Cobblestone Construction tract. Ms. Corprew reported that the Attorney is still waiting on additional information from the developer before the Annexation Agreement and the Petitions for Annexation can be completed.

- c. Status of Negotiations with Contractor for Water Plant No. 2. Ms. Corprew recommended this subject be deferred to the Executive Session.
- d. Status of District's Website. Ms. Henderson noted that drafts of the minutes of the Board of Directors meetings are currently being placed on the District's website and that only final minutes will be uploaded to the website from now on.

9. ATTORNEYS' REPORT. Director Lackey next recognized Ms. Corprew, who presented the Attorney's Report as follows:

- a. Resolution Requesting Estimated Appraised Value. Ms. Corprew presented the Board with a Resolution Requesting Estimated Appraised Value as of November 1, 2005, a copy of which is attached hereto as Exhibit "E". Ms. Corprew explained that the Resolution had been requested by the District's Financial Advisor with respect to the proposed Series 2006 Refunding Bonds. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board adopted the Resolution as presented.
- b. Continuing Disclosure Report. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Continuing Disclosure Report and authorized the Attorney to file it with the appropriate agencies.

10. EXECUTIVE SESSION. At 7:50 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 8:15 p.m., the President declared the Execution Session over and reconvened the meeting in open session to vote upon matters discussed in Executive Session. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board voted to rescind its prior decision to reduce the retainage as requested by the Contractor and maintain the 10% retainage.

11. REPAIR OF DISTRICT'S FACILITIES. Then, Director Lackey reported that the District lost another motor pump (Pump No. 2) at Water Plant No. 2 due to bearing failure and that he believes it can be attributed to improper installation by the contractor, Nunn Construction ("Nunn"). Director Lackey stated that the Pump No. 2 motor had been installed at the same time that the Pump No. 5 motor had been installed and that neither pump/motor assembly had been properly aligned after installation. He went on to explain that Nunn replaced both sets of pump bearings and the motor bearings on Pump No. 5 after it had failed but now are refusing to do the same for Pump No. 2 even though its failure had been due to the same problem of improper installation. Ms. Corprew then distributed a copy of a proposed letter to Nunn addressing this matter, a copy of which is attached hereto as Exhibit "F." The Board directed the Attorney to pursue the claim with Nunn.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Cook, the meeting was adjourned at 8:23 p.m.

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

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Secretary, Board of Directors

**EXHIBITS:**

- A - Tax Assessor/Collector's Report
- B - Delinquent Tax Report
- C - Bookkeeper's Report
- D-1- Northern Point, Section 4 Utility Commitment
- D-2- Northern Point, Section 5 Utility Commitment
- E - Resolution Requesting Estimated Appraised Value
- F - Attorney's Letter to Nunn Construction