

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

December 1, 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 December 1, 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. Also attending were Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E., of Pate Engineers, Inc. ("Engineer"); A. J. Sullivan of Sam Yager, Inc. ("Yager"); David McGowen of KB Home Houston ("KB"); Cary Dunham of Cobblestone Construction, Inc. ("Cobblestone"); Andy Armstrong and John Ramsey of Trophy Homes; and Kaye C. Corprew 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 and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. There were no public comments.
2. APPROVE MINUTES. The Board deferred approval of the minutes of the October 20, 2005 and November 3, 2005 meetings until the second meeting of the month.
3. CONSTABLE'S REPORT. Director Dunn reported that the Constable's liaison is not available to attend the first meeting of the month and has requested that he be moved back to the second meeting of the month to give his reports.
4. PAYMENT OF INVOICES. There were no invoices presented for payment.
5. 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 reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

- a. Water Well No. 4. Mr. Plunkett reported that he has determined that the water table for Water Well No. 4 has subsided.
- b. De-silting. Mr. Plunkett reported that Champions Hydro-Lawn started work this week on the de-silting of the Three Lakes Drainage Channel.
- c. Repairs. Mr. Plunkett reported that there have been problems with the gate operators at Water Plant No. 1 and recommended that a person be hired to maintain all of the District's electronic gates and to add 911 lock boxes on the ones where diesel fuel is stored.

Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented and authorized Mr. Plunkett to engage a person to maintain all of the District's electronic gates and to add 911 lock boxes on the ones where diesel fuel is stored and to terminate the service 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.

6. 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. 12 in the amount of \$80,813.37 to Industrial TX Corp. for the construction of Water Plant No. 2; and (2) approve Pay Application No. 1 in the amount of \$292,525.52 to Clearwater Utilities, Inc. for Ashford Place, Section 3, water distribution, sanitary sewer and drainage facilities (collectively referred to herein as the "Engineer Action Items").
- b. District Maintenance Building. Mr. Boozer reported that some revisions have been made to the plans, as previously requested by the Board, to reflect a concrete driveway rather than a crushed rock driveway as a bid option and the regrading of the area to enhance the site for drainage purposes. Mr. Boozer then requested an additional fee of \$1,500.00 for the additional engineering work associated with this project. [Director Ward entered the meeting at 7:10 p.m. during the discussion.]. Mr. Boozer explained that the plans for the building will have to be re-approved by Harris County due to the changes. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the changes and requested increase in compensation by the Engineer.
- c. Northwest Harris County Municipal Utility District No. 15 ("NW15") Interconnect. Mr. Boozer then reported that he received a call from the engineer

for Harris County Municipal Utility District No. 281 ("No. 281"), Saib Saour of Benchmark Engineering, stating that No. 281 is requesting water service through the NW15 emergency water interconnect while No. 281 works on its water well starting in February 2006. Mr. Boozer recommended upgrading the existing 8" meter to a 12" meter, which also means that a new vault will need to be installed. Director Lackey added that he has received verbal agreement from NW15 to pay one-half of the costs of upgrading the meter and vault. Director Lackey suggested moving the meter to the west side of SH 249 since NW15 owns the line that runs under SH 249 and letting them own the meter, too. Director Lackey also suggested that the Board agree to provide service to Harris County Municipal Utility District No. 280 as well as No. 282 through the NW15 interconnect.

d. Santikos Investments. Mr. Boozer next stated that his company had been engaged by Santikos Investments with respect to development of the Northpointe East commercial site and presented a proposed site plan, a copy of which is attached hereto as Exhibit "C". Mr. Boozer also stated that construction is scheduled to commence in March or April 2006.

e. Willow Falls, Section 1. Mr. Boozer reported that the streets in Willow Falls, Section 1 have been accepted by the Harris County Commissioner's Court.

f. Northern Point, Sections 1-3. Mr. Boozer reported that construction is virtually complete and that Sections 4 and 5 are moving quickly.

g. Cobblestone. Mr. Boozer reported that they just about have the drainage issues resolved.

h. Water Plant No. 2. Discussion next ensued regarding the Engineer's request for additional compensation with respect to the Water Plant No. 2 Project. Upon motion by Director Cook, seconded by Director Bishop, with all Directors present voting aye, the Board approved the additional compensation.

Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Engineer's Report and the Engineer Action Items and authorized the Engineer and Attorney to proceed with plans for serving No. 280 and No. 281 and to proceed with the appropriate agreement(s) with those Districts, as needed.

7. DEVELOPERS' REPORTS. Mr. Sullivan reported that he had spoken with Harris County Water Control & Improvement District No.119 ("No. 119") and that they are willing to proceed with an emergency water interconnect with the District. The Board directed Mr. Boozer to proceed with discussing the matter with No. 119's engineer, Troy Bordelon at A&S Engineering.

Mr. Sullivan then updated the Board on the status of the development in Willow Falls Subdivision reporting that the remaining lots in Section 4 are not expected to be built-out until 2007.

Mr. McGowen reported that with respect to the Northern Point Subdivision, 135 lots are under construction and Sections 4 and 5 should open up in January 2006.

Mr. Ramsey next updated the Board on the status of the proposed development of the 29-acre Todd tract reporting that the property is under contract with Trophy Homes and that they expect to be completing the due diligence through January 31, 2006. Mr. Ramsey stated that there would be approximately 125 to 127 lots and that the lots would be 45-55' in width.

8. ATTORNEY'S REPORT. Director Lackey next recognized Ms. Corprew, who presented the new Interlocal Agreement with Harris County for four (4) contract deputies for approval by the Board. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the new Interlocal Agreement, a copy of which is attached hereto as Exhibit "D".

9. EXECUTIVE SESSION. At 8:05 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 TX Corp. to construct Water Plant No. 2 and the District's contact with Nunn Contractors for the construction of booster pumps at Water Plant No. 1. All attendees were dismissed, with the exception of the Board, Engineer and Attorneys. At 8:55 p.m., the President declared the Executive Session over, reconvened the meeting in open session to vote on matters discussed in Executive Session. Upon motion by duly made and seconded, the Board authorized the Engineer and Attorney to attend the meeting with Industrial TX and authorized the Attorney to send a letter to Nunn Constructors with respect to the booster pump failure at Water Plant No. 1.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, the meeting was adjourned at 8:57 p.m.

Passed and approved this 19th day of January, 2006.

Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- B - Engineer's Report
- C - Santiko's Investments Site Plan
- D - Interlocal Agreement