

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

December 20, 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 20, 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 Ben Pawlak of Bob Leared Interests ("Tax Assessor/Collector"); and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 7:06 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. Director Dunn inquired about the trucks parking at the end of Northpointe Boulevard near Walgreen's. Director Lackey stated that Harris County (the "County") has never accepted maintenance of the street because the developer of Walgreen's, JEC Texas, Ltd. (Focus Development), never finished the County's punch list items. Director Lackey went on to explain that the County will not post signs or issue citations to anyone since the street is considered private property. Director Lackey then stated that he is also concerned because the District is responsible for the quality of the storm water that drains off the area. Discussion then ensued regarding the trucks parking on the eastbound lane of Northpointe Boulevard and at the end of Northpointe, east of Seapines Harbor Drive. The Board requested that Ms. Corprew write a letter to Focus stating that they need to take responsibility for finishing out the road and getting it accepted by the County for maintenance. The Board agreed that the letter should also state that should the District get cited for any violations with respect to the storm water draining from the area, that the developer would be expected to indemnify the District.

2. CONSTABLE'S REPORT. The Harris County Constable's Report was tabled since no one was present from the Constable's Office.

3. MINUTES OF PRIOR MEETING(S). The Board next considered approval of the minutes of the October 20, 2005, November 3, 2005 and November 17, 2005 Board of Directors

meetings. Director Lackey requested a revision to page 3 of the October 20, 2005 minutes. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 20, 2005 meeting with corrections noted on page 3, and approved the minutes of the November 3, 2005 and November 17, 2005 meetings, as presented.

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". Mr. Pawlak inquired as to whether the Board would like a new aerial photograph of the District and stated that the map could also be furnished on a CD as well. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report as presented and authorized the purchase of a new aerial map of the District, plus a CD containing the map.

5. Mr. Pawlak then stated that he intends to present for the Board's consideration a new fee agreement to increase the amount charged per account at the February 19, 2005 meeting.

[Mr. Pawlak then exited the meeting].

6. BOOKKEEPER'S REPORT. The Board next reviewed the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B", in the absence of the Bookkeeper. Discussion ensued regarding the invoices for KB Home and Gallegos with respect to the 55-acre Todd tract. Director Bishop also noted that Republic Waste credited the District for the \$0.75 per residence billed due to the alleged extra heavy pick-up days following the aftermath of Hurricane Rita. 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 and directed the Bookkeeper to withhold the check to Industrial TX Corp. until receiving further instruction from the Board.

7. ASSIGNMENT OF BOOKKEEPER'S CONTRACT. The Board next considered the Assignment of the Bookkeeper's contract, a copy of which is attached hereto as Exhibit "C". Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all directors present voting, the Board approved the Assignment as presented.

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

- a. Wastewater Treatment Plant. The Board next reviewed Change Order No. 9 with respect to the Wastewater Treatment Plant, a copy of which is attached hereto as Exhibit "D". Change Order No. 9 is for the installation of a 10" flanged 45 degree bend on the proposed plain end wall pipe resulting in a \$1,580.00 increase in contract price. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Change Order as presented.
- b. Champions Hydro-Lawn Estimate. The Board reviewed the estimates and pictures submitted by Champions Hydro-Lawn to repair the sink hole at the

Boudreaux Road Drainage Channel and to remove the silt fence along the border of the Willow Falls and Stonepine Subdivisions, a copy of which is attached hereto as Exhibit "E". Director Lackey stated that Rebel Contractors should be responsible for removing the silt fencing since they are the one who left the fence along the Drainage Channel and since such work is still under warranty. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the estimate in the amount of \$1,450 to repair the sink hole but did not approve the removal of the silt fence.

- c. District Facilities. Director Lackey next reported that the Operator has requested that the Board consider installing a pipe gate at the northern edge of the Drainage Channel at an approximate cost of \$1,200.00. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the installation of a pipe gate at the northern end of the Drainage Channel not to exceed \$1,200.00.
9. OLD BUSINESS. The Board then discussed the following:
 - a. Proposed Annexation of 33.005-acre Cobblestone Construction tract. Ms. Corprew reported that there have been no new developments.
 - b. Status of Negotiations with Contractor for Water Plant No. 2. Ms. Corprew recommended this subject be deferred to the Executive Session.
 - c. Strategic Partnership Agreement (the "SPA"). Ms. Corprew reported that there have been no further developments with respect to this limited purpose annexation.
 - d. NewQuest Reimbursement. Ms. Corprew then directed the Board's attention to a letter received from Craig Rathmann of Rathmann & Associates, the District's Financial Advisor, a copy of which is attached hereto as Exhibit "F", stating that A-S 45 Hwy. 249 Boudreaux, L.P. (NewQuest Properties) has finally qualified as self-supporting for purposes of reimbursement from the District's Series 2005 Bonds. Ms. Corprew explained that even though the NewQuest development has qualified as self-supporting, there is an issue of access to the Detention Pond that remains to be resolved. Discussion ensued regarding the matter, and the Board directed Ms. Corprew to write the developer regarding the access issues and informing them that NewQuest needs to bring the Detention Basin up to the specifications of the District's Engineer, in addition to providing the District with legal access to the Detention Pond, before the District will reimburse them.
 10. ATTORNEYS' REPORT. Ms. Corprew then presented the Attorney's Report as follows:

11. EXECUTIVE SESSION. At 8:28 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. All attendees were dismissed, with the exception of the Board and Attorney. At 8:34 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 Ward, seconded by Director Bishop, with all Directors present voting aye, the Board voted to withhold payment to Industrial Tx. Corp. and to maintain the 10% retainage. Then, upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the Attorney to engage an expert witness and to engage a litigation attorney on behalf of the District, as needed.

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 as presented.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the President adjourned the meeting at 8:38 p.m.

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

Secretary, Board of Directors

EXHIBITS:

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report
- C - Assignment of Bookkeeper's Contract
- D - N&S Change Order No. 9
- E - Champions Hydro-Lawn Estimate & Pictures
- F - Rathmann & Associates' Letter re NewQuest Reimbursement