

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

January 5, 2006

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 January 5, 2006, 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"); David McGowen of KB Home Houston ("KB"); Johnny Williams of Champions Hydro-Lawn ("Champions"); Joe Melchor, resident of the District; and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, 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 at 6:40 p.m.

1. APPROVE MINUTES. The Board deferred approval of the minutes of the prior meetings until the second meeting of the month.

2. PUBLIC COMMENTS. The President then recognized Mr. Melchor who stated that he had some unexplained high water usage and was before the Board to request that he be either refunded or credited the additional \$150.00 charged due to his failure to pay the bill prior to disconnection of service. Ms. Corprew suggested this matter be deferred until the Operator arrives.

3. ENGINEER'S REPORT. The President next recognized Mr. Boozer who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "A". 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 Change Order No. 10 for Wastewater Treatment Plant Expansion submitted by N&S Construction Co., LLC which decreases the contract amount by \$8,170.87; (2) approve Pay Application No. 20 and FINAL for Wastewater Treatment Plant Expansion submitted by N&S Construction Co., LLC in the amount of \$55,241.82; and (3) approve Change Order No. 1 for Ashford Place, Section 3, water distribution, sanitary sewer, and drainage facilities submitted by Clearwater Utilities which provides for no net increase or decrease in the contract amount (collectively referred to herein as the "Engineer Action Items").

b. District Maintenance Building. Mr. Boozer reported that revisions to the site plan are complete and he is waiting on the details for the bid documents.

c. Northwest Harris County Municipal Utility District No. 15 ("NW15") Interconnect. With regard to the proposed relocation of the emergency interconnect and water meter with NW 15, Mr. Boozer reported that the Engineer for Harris County Municipal Utility District No. 281 ("No. 281") is going to determine a suitable site for the meter vault on the west side of the freeway. Discussion ensued regarding the logistics of providing water to other districts through the meter and it was the consensus of the Board that the Emergency Water Supply Agreement with NW15 be amended to allow NW15 to sell water to the other districts.

[Director Dunn entered the meeting during the Engineer's Report.]

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.

4. PUBLIC COMMENTS CONTINUED. The President then returned to the discussion with Mr. Melchor regarding his request for a refund. Mr. Melchor stated that there were only three (3) people in his house, he, his wife and a toddler, and that he did not believe they could have used the amount of water for which he was billed. Discussion ensued and Mr. Melchor stated that he has determined that he does not have a leak, that he did not pay for any repairs, and that his bill is now back to the normal amount without him doing anything. Mr. Melchor further stated that in talking with the Operator's office, they had admitted that the reading was in error and told him that he would more than likely have a credit balance on his next bill. Therefore, Mr. Melchor explained, he did not pay attention to the termination notice he received right before the Thanksgiving Holiday and that had he known that the Operator's office would be closing early the day before Thanksgiving, he would have paid the bill on time.

Mr. Plunkett then updated the Board with what he understood to have transpired on the account. Mr. Plunkett stated that he had checked the meter in September after receiving a call from the customer and that the meter readings had been correct when checked in September and again in December. Mr. Melchor again stated that someone at the Operator's office had informed him that there had been a misread on the bill. Director Bishop asked Mr. Plunkett about Mr. Melchor's payment history, and Mr. Plunkett responded that Mr. Melchor had a good payment history and that he currently has a \$200.00 deposit on file. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the Operator to credit Mr. Melchor's account for the \$150.00. Mr. Melchor thanked the Board for their time and consideration and departed the meeting at this time.

Director Ward arrived during the discussion with Mr. Melchor.

5. PAYMENT OF INVOICES. There were no invoices presented for payment.

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

a. Repairs. Mr. Plunkett reported to the Board on the status of the automatic gate repair at Water Plant No.1 and stated that the Operator is waiting for prices on the 911 boxes. Mr. Plunkett explained that the 911 boxes are used as a safety mechanism and are external boxes that the Fire Department will have keys to in case of a fire at any of the facilities where diesel fuel is stored.

b. Water Plant No. 1. Mr. Plunkett reported that some of the wood to the on the building at Water Plant No. 1 are showing dry rot and should be replaced.

c. Boudreaux Outfall Channel. Mr. Williams presented photos of sink holes at the North and South Boudreaux Road box culverts and stated that he had not anticipated the level of repairs needed and the number of additional sinkholes found when he put in his original proposal to make the repairs. He then presented the Board with a new estimate to repair the problem, a copy of which is attached hereto as Exhibit "C". Director Ward questioned the overall condition of the concrete slab and upon reviewing the estimate, agreed that pourable grout fill should be used instead of stabilizing sand for the repairs. Director Ward then asked Mr. Boozer what, if anything, could be done to prevent the erosion again from forming sink holes. Mr. Williams stated that when they fill the sink holes, they will do their best to dress it up to keep the problem from occurring again.

Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented, authorized the repair of the building at Water Plant No. 1, authorized 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, Inc. to make the repairs to the Boudreaux Road Outfall Channel utilizing the pourable grout fill at an estimated cost of \$5,640.00.

7. DEVELOPERS' REPORTS. Mr. McGowen reported that KB closed on 26 homes in the Northern Point Subdivision in November 2005 and 10 homes in December 2005. Mr. McGowen projected that Northern Point would be completely built-out in the first quarter of 2007.

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

a. Conflict of Interest. Ms. Corprew explained that the 79th Legislature had implemented new conflicts of interest disclosure requirements for local governmental officials, such as the District's Board members. Ms. Corprew informed the Board that the new disclosure requirements found in House Bill 914 ("H.B. 914") added Chapter 176 of the Texas Local Government Code, which requires local governmental officials and persons seeking to contract with a local governmental entity, including District consultants, to complete a conflicts disclosure statement (the "Disclosure Statement") and a conflicts questionnaire (the "Questionnaire"), as applicable. As applied to the District, Ms. Corprew stated that all Board members are now required to complete a Disclosure Statement, which discloses: (1) gifts received with a total value exceeding \$250.00 from a person contracting with or seeking to contract with the District; (2) business relationships the Board member has with a person who contracts or seeks to contract with the District that results in the Board member receiving taxable income; or (3) taxable income or gifts received from a person who contracts or seeks to contract with the District that is to the benefit of a Board member's spouse, children, or parents. Ms. Corprew then explained that the disclosure requirement for gifts does not include gifts of food, travel, lodging, or entertainment accepted as a guest, so, for example, if Ms. Corprew took a Board member to a World Series game, that would not have to be disclosed. Ms. Corprew next explained that the consultants and other contractors of the District must complete a Questionnaire as applicable. Ms. Corprew went on to state that her firm is working on a memorandum (the "Memo") explaining the details of these new disclosure rules went into effect January 1, 2006, and that she will distribute the Memo, the Disclosure Statement and the Questionnaire at the next Board meeting.

b. Elections. Ms. Corprew next updated the Board on the new requirements regarding electronic voting machines with respect to the upcoming Directors Election as a result of the Help America Vote Act. Discussion ensued and it was the consensus of the Board that they would use the electronic voting machines only and not paper ballots in conjunction with electronic voting machines. Director Bishop stated that she will call Ms. Henderson with the name of the Presiding Judge and Early Voting Clerk. Director Cook stated that Sandra Richardson and Mary Jo Crowe will assist the new judge.

- c. NewQuest Properties Reimbursement. Ms. Corprew suggested that the Board discuss this matter in Executive Session.
- d. Water Plant No. 2 Contractor Negotiations. Ms. Corprew suggested that this agenda item also be discussed in Executive Session.
- e. Amendment to Emergency Water Supply Agreement with Northwest Harris County Municipal Utility District No. 15 ("NW15"). Ms. Corprew stated that in drafting the amendment to the Agreement, she needs to know who will be responsible for the cost of putting in a 12-inch meter and taking out the 8-inch meter. Discussion ensued and it was the consensus of the Board that the five districts sharing the interconnect should bear the cost.

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.

9. EXECUTIVE SESSION. At 7:57 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 to discuss the NewQuest Properties reimbursement. All attendees were dismissed, with the exception of the Board, Engineer and Attorneys. At 8:22 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 Director Bishop, seconded by Director Ward, the Board voted to withhold the reimbursement from NewQuest Properties until such time as NewQuest Properties can deliver clear title and access to the Detention Basin and to require NewQuest Properties to furnish the District with a title policy. No action needed to be taken with respect to the potential litigation with the Contractor for Water Plant No. 2.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, the meeting was adjourned at 8:30 p.m.

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

Secretary, Board of Directors

EXHIBITS:

- A - Engineer's Report
- B - Operator's Report
- C - Champions Hydro-Lawn Estimate