

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

December 7, 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 December 7, 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"); Eric Johnson, P.E. and Mark Stendahl, P.E. of Pate Engineers, Inc. ("Engineer"); A. J. Sullivan and Tony Padua of Sam Yager, Inc. ("Yager"); Doug Sebastian of KB Home ("KB") and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, 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 and declared it open for such business as may come before it at 6:45 p.m.

1. PUBLIC COMMENTS. There were no public comments.
2. APPROVE MINUTES. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 19, 2006 and November 2, 2006 meetings with corrections noted.
3. 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".
 - a. Report on Monthly Operations. Mr. Plunkett reported that the District had a 97.83% accountability rate with 2892 accounts.
 - b. Repairs and/or replacements at District facilities.
 - i. Mr. Plunkett reported that Champions Hydro-Lawn, Inc. has estimated the cost of reworking/regarding the Three Lakes backslope swale in the amount of \$7,190.00, a copy of which estimate is attached hereto as Exhibit "A-1".

- ii. The Operator next presented an Agreement to Provide S.A.F.E. Services from Moffitt Customized Fueling, Inc. ("Moffitt") for providing diesel fuel to the District at the market price per gallon, plus \$150.00 per month per facility, a copy of which proposed Agreement is attached hereto as Exhibit "A-2". Discussion ensued regarding certain ambiguities and mistakes in the Agreement and the length of term of the District's current contract with Moffitt. No action was taken on this matter, and Mr. Plunkett agreed to attempt to obtain another proposal for such services.
 - iii. Director Ward next reported that he had noticed that the Pinecrest Bark was requesting that there be two (2) trees between each house and the street. Discussion ensued regarding problems with tree roots damaging water and sewer lines, etc. Mr. Plunkett was instructed to place a notice on the next water bill to the effect that no trees are to be planted between the sidewalk and the street due to the possible damage to the District's water and sewer lines.
- c. Termination of service and/or write-off of delinquent accounts. The Operator next directed the Board's attention to the Cut-off List, a copy of which is attached to the Operator's Report.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Operator's Report, accepted the estimate of Champions Hydro-Lawn to rework/regrade the backslope swale in Three Lakes, and authorized termination of service of delinquent customers in accordance with the provisions of the District's Rate Order.

4. ENGINEER'S REPORT. The President then recognized Messrs. Stendahl and Johnson, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B".

- a. Engineer's Action Item(s). Messrs. Stendahl and Johnson requested approval to (i) advertise for bids with respect to the Motor Control Center at Water Plant No. 1; (ii) advertise for bids with respect to the Wastewater Treatment Plant Phase 4 Expansion; (iii) advertise for bids with respect to Channel M122 Maintenance; (iv) advertise for bids with respect to the District Maintenance Building; and (v) approve Pay Application No. 4 for Ashford Place, Section 2, water, sewer and drainage in the amount of \$17,215.42, which includes a reduction in retainage from 5% to 1% (collectively, the "Engineering Action Items").
- b. Water Plant No. 2, including Well No. 4 pump motor. Mr. Stendahl next reported that the contractor repairing the District's Well No. 4 pump rotor, Alsay, Inc. would like a \$56,750.00 payment on their invoice prior to installing the pump and motor which is scheduled to arrive in Houston next week. Mr. Stendahl reported that the total invoice is now approximately \$147,000. Discussion ensued

regarding the appropriateness of the bill and the amount of time to make the repairs.

c. Construction and maintenance projects, including pay estimates, change orders for Trailer-mounted engine generator set. Director Lackey reported that the manufacturer of the Trailer-mounted engine generator set has to rework the under carriage of the trailer prior to shipping it to Houston. Director Lackey further reported that he had requested an upgrade of the tires for the trailer since their combined maximum load was 10,100 pounds and the trailer weight is 10,000 pounds without fuel. The upgraded tires will bear a load of 15,000 pounds, added Director Lackey. Mr. Stendahl stated that he would prepare a Change Order for the tires in the amount of \$1,000.00. There is no fixed delivery date set for the permanent unit at this time.

d. Motor Control Center and Controls Replacement at Water Plant No.1. Mr. Stendahl reported that he should be ready for the final review of the motor control center and controls replacement at Water Plant No. 1 on December 15, 2006 and plans will be made ready for advertising by early January.

e. Engineering design plans for Wastewater Treatment Plant Expansion, Phase IV, to 1.2 million gallons per day. Mr. Stendahl reported that the design work for Phase IV of the Wastewater Treatment Plant expansion has been completed, that agency comments will be addressed, and the plans will be signed for final submittal and agency signatures in two weeks.

f. Boudreaux Road Outfall Drainage Control Improvements. Mr. Johnson reported that the plans for the Boudreaux Road Outfall Drainage Control Improvements are nearly complete and that the Engineer plans to submit them to Harris County for approval within the next two weeks.

g. District Maintenance Building. Mr. Stendahl reported that another review meeting to discuss the design plans for the District Maintenance Building will be held in mid-December and that the projects should be ready to bid in early January 2007.

h. Bond Application No. 9. Mr. Johnson reported that work is approximately 95% complete on the Bond Application No. 9 and distributed a revised draft of the Application for the Board's and Attorney's review.

i. Proposed Water Well No. 6 and/or surface water from North Harris County Regional Water Authority (the "Authority"). Mr. Stendahl reported that he has requested a copy of a "typical" water supply agreement from the Authority so that the Board can examine the terms of such an agreement.

j. Developer projects. Mr. Johnson next updated the Board on the status of the various Developer roadway projects for acceptance by Harris County.

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 as presented, including approval of the Engineering Action Items.

5. DEVELOPERS REPORT.

a. Northern Point. The President next recognized Mr. Sebastian who reported that Northern Point has only 98 lots out of the 526 left to sell and that they are averaging 10 sales per month. Discussion then ensued regarding the status of the detention pond acceptance by the District. Mr. Johnson reported that prior to the District accepting the pond, KB Homes ("KB") needs to rehabilitate it and that Champions Hydro-Lawn has quoted \$26,000 to do such work. Mr. Johnson stated that he thought the quote was a little on the high side and added that de-silting is \$11,000 out of the \$26,000 quoted. The Board agreed that KB is not required to engage Champions Hydro-Lawn to perform the work, provided such work is accepted by the District's Engineer.

b. Willow Falls. The President next recognized Mr. Padau who updated the Board on the status of Willow Falls development, reporting that they expect to complete six (6) new homes in the next month, that they have another 18 months of sales, and that they expect to be done in 2008.

6. ATTORNEY'S REPORT. Ms. Corprew next presented the Attorney's Report as follows:

a. Easements and Deeds, including Houston Garden Center easement, and Pinecrest Detention Pond. Ms. Corprew reported that Diane Allen, the real estate attorney in her office, is currently working with the Engineer to prepare the easements for the Houston Garden Center and the deeds for the Pinecrest Detention Pond.

b. Annexation of the 33.005-acre Hargrove/Cobblestone Tract. Ms. Corprew next reported that the City of Houston has approved the annexation of the 33.005-acre Hargrove/Cobblestone Tract and that in conjunction with the City's approval, there are several items requiring the approval of the Board in order for the District to have the acreage officially added to the boundaries of the District.

i. Order Adding Land and Redefining Boundaries of the District. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Order Adding Land and Redefining Boundaries of the District, a copy of which is attached hereto as Exhibit "C".

ii. Amended and Restated District Information Form. Ms. Corprew next presented and reviewed with the Board, an Amended and Restated District Information Form to comply with Section 49.452, Texas Water Code, as

amended, a copy of which is attached hereto as Exhibit "D". Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized the execution of the Amended and Restated District Information Form and filing of same in the Real Property Records of the County.

iii. Submission Under Section 5, Voting Rights Act. Ms. Corprew next stated that the final step in completing the annexation of the Cobblestone tract is to make a submission to the U.S. Department of Justice to the effect that the addition of the land into the District's boundaries will not adversely affect any recognized minority group under the Voting Rights Act of 1965, as amended, and requested authorization from the Board to make the submission on behalf of the District. Upon motion by Director Ward, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board authorized the Attorney to file the submission.

c. Proposed Vulnerability Assessment of Wastewater Treatment Plant. This item was tabled.

d. Conflicts of Interest Questionnaire with regard to bid and request for proposal packets. Ms. Corprew then presented and reviewed with the Board a memo from her firm with respect to the conflicts of interest questionnaire for contractors wishing to conduct business with the District, a copy of which is attached hereto as Exhibit "E". Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board acknowledged receipt of the memo and directed the Operator and Engineer to include the Conflict of Interest Questionnaire in all bid and proposal packages solicited on behalf of the District.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Bishop, seconded by Director Ward, with all Directors present voting aye, the President adjourned the meeting at 8:30 p.m.

Passed and approved this ____ day of January, 2007.

Secretary, Board of Directors

EXHIBITS:

- A - Operator's Report
- A-1- Champions Hydro-Lawn Estimate
- A-2- Moffitt Customized Fueling, Inc. Agreement
- B - Engineer's Report
- C - Order Adding Land and Redefining Boundaries of the District
- D - Amended and Restated District Information Form
- E - Conflicts of Interest Memo and Questionnaire