

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

October 21, 2004

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 October 21, 2004, 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
Drexel Moerbe	Assistant Secretary
Michael J. Ward	Treasurer

All members of the Board were present. Also attending were David Summerlin of P.J. Hargis & Associates ("Bookkeeper"); Bert Williams of ACMI Management Company, manager of Three Lakes Community Improvement Association (the "Association"); Laura Hutchens, Sam Butler, Ryllee Tettleton and Archie Harrington, residents of Three Lakes East subdivision in the District; 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 at 6:35 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. Director Lackey then recognized Mr. Williams. Mr. Williams explained that he and the residents are attending tonight's meeting in order to ask the Board to consider assisting the Association with the funding of a new sidewalk along Huffsmith-Kohrville Road from Three Lakes East, Section Four, subdivision to Kohrville Elementary.

2. EXECUTIVE SESSION. At 6:55 p.m., the President called an Executive Session pursuant to Section 551.071, Texas Government Code, as amended, to consult with its Attorney and receive legal advice. All attendees to the meeting were dismissed, with the exception of the Board and Ms. Corprew. At 7:17 p.m., the Board reconvened in open session, and Director Lackey explained that it is the Board's recommendation that the Association discuss the matter of the sidewalk with Harris County.

3. PUBLIC COMMENTS (CONTINUED). The Board then entertained additional comments from the residents. Ms. Hutchens expressed her concerns regarding problems with the garbage collection services provided by Republic Waste Services, Inc. It was suggested that the

District notify the residents of the trash pick-up schedule, and the Board agreed to include a notice on the next water bill sent to District customers and on the District's web site.

Bert Williams, Laura Hutchens, Sam Butler, Ryllee Tettleton and Archie Harrington then exited the meeting.

4. TAX ASSESSOR/COLLECTOR'S REPORT. Ms. Corprew then distributed for the Board's review the Tax Assessor/Collector's Report prepared by Mr. Ben Pawlak of Bob Leared Interests, the District's Tax Assessor/Collector, a copy of which is attached hereto as Exhibit "A," and the Top Delinquent Taxpayer List, a copy of which is attached hereto as Exhibit "B," and explained that Mr. Pawlak is unable to attend tonight's meeting. The Board then reviewed the Report. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report and the payment of checks reflected therein.

5. DELINQUENT TAX REPORT. Next, Ms. Corprew distributed for the Board's review the Delinquent Tax Report prepared by Perdue, Brandon, Fielder, Collins & Mott L.L.P., the District's Delinquent Tax Attorney, a copy of which is attached hereto as Exhibit "C." Ms. Corprew reported that the Delinquent Tax Attorney is requesting the Board authorize him to forward notice of the termination of service for non-payment of taxes to those delinquent tax accounts listed on such exhibit. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board authorized the Delinquent Tax Attorney to forward notices of the termination of service as requested.

6. BOOKKEEPER'S REPORT. Mr. Summerlin then presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "D," and explained that check numbers 3494 and 3998 being presented for approval are not included on the Report. Mr. Summerlin then distributed for the Board's review a letter from Cypress Creek Emergency Medical Services (the "EMS"), a copy of which is attached hereto as Exhibit "E," and explained that the EMS is requesting that the District continue to include a line item on its water bill for the voluntary contribution through December 2004. Director Lackey explained that the Board has already authorized such action. Upon motion by Director Moerbe, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report, the checks presented for payment, and the investment report.

7. AMENDED BUDGET FOR FISCAL YEAR ENDING MAY 31, 2005. Mr. Summerlin then directed the Board's attention to the proposed amendment to the District's budget for the fiscal year ending May 31, 2005, a copy of which is attached to the Bookkeeper's Report. Mr. Summerlin explained that he is recommending the Board amend the budget in order to more closely reflect the actual revenues and expenses related to new connections. Upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board adopted the amended budget for the fiscal year ending May 31, 2005.

8. ORDER REVIEWING INVESTMENT POLICY AND INVESTMENT STRATEGIES. Ms. Corprew then presented for the Board's consideration an Order Reviewing

Investment Policy and Investment Strategies along with an Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of District Funds and Review of Investments (the "Investment Policy"), copies of which are attached hereto as Exhibit "F." Ms. Corprew explained that the Public Funds Investment Act requires annual review of the District's Investment Policy by the Board and that the District's Investment Policy needs to be revised this year in order to allow any officer to be the Investment Officer since Director Bishop, the Vice President, is the Investment Officer. The Investment Policy currently states the Board Treasurer will be the Investment Officer, added Ms. Corprew. Ms. Corprew noted that the list of approved financial institutions has also been updated. Upon motion by Director Moerbe, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board adopted the Order Reviewing Investment Policy and Investment Strategies and the Amended and Restated Investment Policy, as presented.

Mr. Summerlin then exited the meeting.

9. RESOLUTION AUTHORIZING APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR RELEASE OF FUNDS FROM ESCROW FOR WATER PLANT NO. 2. Next, Ms. Corprew presented a Resolution Authorizing Application to Texas Commission on Environmental Quality for Release of Funds from Escrow, a copy of which is attached hereto as Exhibit "G," and explained that the funds for the construction of Water Plant No. 2 were escrowed as part of the District's Series 2004 Bonds and since the project is now moving forward, it is necessary to request the release of the funds from escrow. Upon motion by Director Ward, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board adopted the Resolution Authorizing Application to Texas Commission on Environmental Quality for Release of Funds from Escrow.

10. PAY ESTIMATES AND CHANGE ORDERS FOR JEC DEVELOPMENT, LTD. Ms. Corprew then presented for the Board's review and approval copies of the pay estimates and change orders from Pate Engineers, Inc., the District's Engineer, for JEC Development, Inc. relating to the construction of Northpointe Storm Sewer Extension for the Focus 4.11-acre commercial tract, copies of which are attached hereto as Exhibit "H." Ms. Corprew explained that the District's Engineer has requested the Board's approval of such documents. Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the pay estimates and change orders for JEC Development, Inc. relating to the construction of Northpointe Storm Sewer Extension.

11. RESOLUTIONS AUTHORIZING PROCEEDINGS IN EMINENT DOMAIN. Ms. Corprew then presented a letter to Ms. Cathyrine Stewart, a copy of which is attached hereto as Exhibit "I," and explained that such letter had been sent to the Stewart family as directed by the Board in an effort to finalize the purchase of the four (4) Stewart family water line easements needed to serve the Ashford Place subdivision. Ms. Corprew reported that she is concerned that Ms. Stewart may not agree to sell the easements and that Mr. David Garrett, the developer of Ahsford Place subdivision, is also having problems negotiating the purchase of several of the other easements. Ms. Corprew recommended the Board approve the Resolutions Authorizing Proceedings in Eminent Domain in order to expedite the process of acquiring and possibly

condemning the easements. Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board adopted the Resolutions Authorizing Proceedings in Eminent Domain for the sanitary sewer line and water line easements to serve Ashford Place subdivision.

12. PROPOSAL FOR CONSTRUCTION MATERIAL TESTING SERVICES FOR WATER PLANT NO. 2. Ms. Corprew then presented a proposal for the construction material testing services at Water Plant No. 2, as requested by the District's Engineer, a copy of which is attached hereto as Exhibit "J." Upon motion by Director Ward, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the proposal for the construction material testing services at Water Plant No. 2 and awarded such contract to Tolunay-Wong Engineers, Inc. for \$8,020.

13. MINUTES. The Board then discussed approval of the minutes of the September 16, 2004 Board meeting. Upon motion by Director Ward, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the September 16, 2004 minutes, as presented.

14. DISTRICT WEB SITE. The Board then discussed revisions to the District's web site.

15. HARRIS COUNTY CONSTABLE'S DEPARTMENT REPORT. Next, Director Lackey reviewed the Constable's Report with the Board.

16. PROPOSAL FOR ELECTRICAL WORK. Director Lackey then requested the Board approve a proposal of \$745 from Electrical Installs Plus, Inc. for electrical work, a copy of which is attached hereto as Exhibit "K." Upon motion by Director Ward, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the proposal of \$745 from Electrical Installs Plus, Inc. for electrical work and authorized the work as presented.

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

PASSED AND APPROVED this 19th day of November, 2004.

Secretary, Board of Directors

(SEAL)

**EXHIBITS TO MINUTES OF OCTOBER 21, 2004 MEETING
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368**

- A - Tax Assessor/Collector's Report
- B - Top Delinquent Taxpayer List
- C - Delinquent Tax Report
- D - Bookkeeper's Report
- E - Letter from Cypress Creek EMS requesting continuation of line item for voluntary contribution on District water bill
- F - Order Reviewing Investment Policy and Investment Strategies along with Amended and Restated Order Designating Investment Officer and Establishing Rules, Policies, and Code of Ethics for the Investment of District Funds and Review of Investments
- G - Resolution Authorizing Application to Texas Commission on Environmental Quality for Release of Funds from Escrow
- H - Pay estimates and change orders from Pate Engineers, Inc. for JEC Development, Inc.
- I - Letter to Ms. Cathyrine Stewart regarding purchase of four (4) water line easements
- J - Proposal for construction material testing services at Water Plant No. 2 from Tolunay-Wong Engineers, Inc.
- K - Proposal of \$745 from Electrical Installs Plus, Inc. for electrical work