

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

March 3, 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, 25510 Tomball Parkway, Tomball, Texas on Thursday, March 3, 2005, pursuant to 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
Drexel Moerbe	Assistant Secretary

All members of the Board were present except Directors Ward and Cook. Consultants attending were: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); and Andrew P. Johnson, III and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Developers in attendance were: A.J. Sullivan of Sam Yager Inc./Willow Falls Development, Ltd. ("Willow Falls").

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 6:48 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. There were no members of the general public present to address the Board.

2. APPROVAL OF MINUTES. The Board then considered approval of the minutes of the February 3, 2005 meeting, previously distributed to the Board. Upon motion by Director Moerbe, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the minutes of the February 3, 2005 meeting, as presented.

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." Mr. Plunkett first reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

a. Superior Water Rating. Mr. Plunkett reported that Region H of the Texas Commission on Environmental Quality (the "TCEQ") has performed their inspection of the District's system that is required in order to obtain a Superior Water Rating and that he is waiting on the results.

b. Water Well No. 4. Next, Mr. Plunkett stated that the electrical problem at Water Well No. 4 has been resolved and that the well is back on line.

c. Water Accountability Report. Mr. Plunkett directed the Board's attention to the new Water Accountability Report that is now being included with the Operator's Report.

d. Wastewater Treatment Plant. Then Mr. Plunkett reported that there have been problems with the bypass pumping system at the District's Wastewater Treatment Plant (the "WWTP") during the WWTP expansion project. Mr. Plunkett stated that he thought the contractor should be backcharged for the necessary repairs, provided the District's contract allows such action. Mr. Boozer agreed to look into this matter. Mr. Plunkett further reported that a spray system has been installed at the WWTP to help with the foaming problem.

e. Water Smart Program. Mr. Plunkett reported that the District's Water Smart Program application is due April 5, 2005 and that Director Bishop is completing the requirements.

Upon motion by Director Bishop, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order.

4. 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 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. 17 & Final for Water Well No. 4, Water Well Collection Line and Water Plant Improvements in the amount of \$149,434.35 to AquaUtility Construction, L.P.; (2) approve Pay Application No. 4 in the amount of \$23,281.80 to Industrial TX Corp. for the construction of Water Plant No. 2; (3) approve Pay Application No. 14 in the amount of \$36,778.89 to N&S Construction, LLC for the Wastewater Treatment Plant expansion from 0.575 MGD to 0.90 MGD; (4) approve Pay Application No. 4 in the amount of \$40,023.00 to Rebel Contractors, Inc. for the outfall drainage channel rehabilitation project; (5) approve the award of the contract for the water distribution, sanitary sewer and drainage facilities to serve Willow Falls, Section 3, to Bay Utilities, L.L.C.; (6) approve Pay Application No. 4 in the amount of \$4,050.00 to LECON, Inc. for Ashford Place detention facilities; and (7) approve Pay Application No. 6 in the amount of \$39,145.13 to Triple B Service, L.P. for the water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 2 (collectively referred to herein as the "Engineer Action Items").

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b. District Maintenance Building. Mr. Boozer then reported that he had obtained two (2) cost estimates for constructing a District maintenance building, copies of which are attached to the Engineer's Report, and Director Lackey stated that he had obtained a verbal estimate. The cost estimates ranged from \$75,000 to \$112,000 for a 1800 square-foot building. The Board decided to defer this matter to the next meeting.

c. Site Development. Mr. Boozer then reported that Mr. Bob Crouch of Asset Development Corporation, the developer of a 4.2-acre shopping center at the corner of Three Lakes Boulevard and State Highway 249, has submitted plans and requested a Utility Commitment for water and sanitary sewer service. Mr. Boozer then presented a Utility Commitment for the Board's consideration and approval, a copy of which is attached hereto as Exhibit "C." Mr. Boozer explained that all of the facilities are on-site and, therefore, there will be no reimbursement due the developer.

d. NewQuest Detention Pond. Mr. Boozer next reported that NewQuest Properties has been working on their detention pond and that it is almost into specification; however, one of the neighboring landowners has put a gate in the fence, so he has informed NewQuest that this must be removed before the District will accept the detention pond.

Upon motion by Director Moerbe, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report, the Engineer's Action Items, and the Utility Commitment for the 4.2-acre shopping center.

5. DEVELOPERS' REPORT. Mr. Sullivan then reported on the status of the Willow Falls subdivision development project.

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew, who presented the Attorney's Report, a copy of which is attached hereto as Exhibit "D," and reported as follows:

a. Attorney's Action Items. Ms. Corprew reported that the District's insurance policy is up for renewal as of May 31, 2005 and that she is requesting authorization to obtain proposals for the policy term May 31, 2005 through May 31, 2006. Ms. Corprew also stated that Director Moerbe had asked her to include a discussion item regarding the District's Reimbursement Policy. The Board decided to defer discussion on the Reimbursement Policy to the March 17, 2005 Board meeting since two (2) of the Directors are absent.

b. Order Amending Order Authorizing Application to the TCEQ for Eighth Issue of Bonds. Ms. Corprew then presented an Order Amending Order Authorizing Application to the TCEQ for Eighth Issue of Bonds, a copy of which is attached hereto as Exhibit "E," and explained that since the original Order was adopted in October 2004, the amount of the bond issue has increased and, therefore, it is necessary for the Board to approve an Order Amending the Order. Upon motion by Director Moerbe, seconded by Director Bishop, after full discussion and with

all Directors present voting aye, the Board adopted the Order Amending Order Authorizing Application to the TCEQ for Eighth Issue of Bonds.

- c. Electricity Audit. Next, Ms. Corprew presented an electricity audit prepared by Richard Lewis of American Enerpower, a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Bishop, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the Attorney's Report and authorized the Attorney to obtain insurance proposals.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 9:40 p.m.

PASSED and APPROVED this the 7th day of April, 2005.

Secretary, Board of Directors

(SEAL)

EXHIBITS

- A - Operator's Report
- B - Engineer's Report
- C - Utility Commitment for Asset Development Corporation's 4.2-acre shopping center development
- D - Attorney's Report
- E - Order Amending Order Authorizing Application to the TCEQ for Eighth Issue of Bonds
- F - Electricity Audit

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