

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

March 17, 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 March 17, 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:

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| 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"); Ben Pawlak of Bob Leared Interests ("Tax Assessor/Collector"); Andrew Dunn, District resident and liaison with Harris County Constable Department (the "Constable"); 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 6:50 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. There were no public comments.
2. MINUTES OF PRIOR MEETING(S): Ms. Corprew then presented the minutes of the February 17, 2005 Board meeting, previously distributed to the Board. Upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the minutes of the February 17, 2005 meeting, as presented.
3. TAX ASSESSOR/COLLECTOR'S REPORT. Director Lackey then recognized Mr. Pawlak, who distributed for the Board's review the Tax Assessor/Collector's Report and the Top Delinquent Taxpayers list, copies of which are attached hereto as Exhibits "A" and "B," respectively. Mr. Pawlak reported that 93.676% of the District's 2004 taxes have been collected to date compared to 92.629% for the same period last year.

[Director Ward and Mr. Dunn arrived at this time.]

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.

4. ORDER AUTHORIZING ADDITIONAL 20% PENALTY ON 2004 DELINQUENT TAX ACCOUNTS. Next, Mr. Pawlak explained that pursuant to Sections 6.30, 33.07 and 33.08 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2004 taxes that remain delinquent as of July 1, 2005, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Mr. Pawlak explained that the District has such an agreement with a delinquent tax attorney and follows the notice procedures; therefore, by adopting an Order Authorizing Additional 20% Penalty on Delinquent 2004 Taxes, the District memorializes the provisions regarding these matters. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board voted unanimously to adopt the Order Authorizing Additional 20% Penalty on Delinquent 2004 Tax Accounts, a copy of which is attached hereto as Exhibit "C."

5. ORDER DETERMINING AD VALOREM TAX EXEMPTIONS FOR 2005 TAX YEAR. The Board next considered approval of an Order Determining Ad Valorem Tax Exemptions for 2005 Tax Year, a copy of which is attached hereto as Exhibit "D," including exemptions for residents 65 years of age and older and exemptions for disabled residents. Mr. Pawlak reported that last year the Board granted a \$3,000 exemption for disabled persons and for persons 65 years of age or older. A discussion regarding the 2005 tax exemptions then ensued. Upon motion by Director Cook, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board voted unanimously to retain the same exemptions for 2005 as were approved in 2004 and to adopt an Order Determining Ad Valorem Tax Exemptions for 2005 Tax.

6. RESOLUTION AUTHORIZING PETITION CHALLENGING APPRAISAL RECORDS. The Board then considered approval of the Resolution Authorizing Petition Challenging Appraisal Records for the Board's consideration, a copy of which is attached hereto as Exhibit "E." Mr. Pawlak recommended that this Resolution be adopted in order that a protest may be filed if necessary. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board voted unanimously to adopt the Resolution Authorizing Petition Challenging Appraisal Records.

[Mr. Pawlak then exited the meeting.]

7. BOOKKEEPER'S REPORT. Mr. Summerlin then presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "F." Mr. Summerlin reviewed the Report previously distributed to the Board and then presented check numbers 3985 through 3988 for payment and explained such checks are not included in the Report.

The Board then discussed the delinquent developer accounts. Ms. Corprew reported that, as directed at the February 17, 2005 Board meeting, letters had been forwarded to each developer whose account with the District is delinquent notifying them that they have 30 days to bring their accounts current, otherwise the District is going to withhold further taps until the balance is paid in full, along with copies of the related invoices.

Upon motion by Director Moerbe, seconded by Director Bishop, 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.

8. HARRIS COUNTY CONSTABLE DEPARTMENT'S REPORT. The President then recognized Mr. Dunn who presented the security report. Mr. Dunn reported that the Constable has not agreed with the District's request to appoint Officer Richard Hill as supervisor over the District's law enforcement contract with the Constable; however, the Constable has agreed to let the Board have the right to not accept the officer chosen by the Constable and, therefore, have some control over the selection.

9. NEW BUSINESS. Ms. Corprew then presented the following new business discussion items:

a. Meeting Schedule. The Board then discussed whether to go to one (1) meeting per month, but decided it is not appropriate at this time. Ms. Corprew then informed the Board that the Church is not available for the regular meeting scheduled for June 16, 2005, and the Board decided to hold only one (1) meeting in June 2005 and such meeting will be June 2nd.

b. Escrow Agreement. Ms. Corprew then informed the Board that the District's Escrow Agent has requested the Board authorize the Bookkeeper to accept the District's escrow statements. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board authorized the Escrow Agent to forward the District's escrow statements to the Bookkeeper.

10. OLD BUSINESS. Ms. Corprew then directed the Board's attention to the following matters:

a. District Maintenance Building. The Board next discussed the proposed District maintenance building. Ms. Corprew suggested the Board appoint a committee of two (2) Directors to work with the Engineer on the project. The Board agreed and then appointed Directors Moerbe and Lackey to work with the District's Engineer on the maintenance building project. The Board decided to defer further action on the engineering proposal relating to the project to the April 7, 2005 Board meeting when the Engineer is present.

[Mr. Dunn and Mr. Summerlin then exited the meeting.]

b. Reimbursement Policy. Next, the Board discussed the District's reimbursement policy and whether to amend it in order to no longer provide for 100% reimbursement to developers for the construction of water, sewer and drainage facilities. Ms. Corprew recalled that the two (2) current developers with requests for annexation pending have already had their feasibility studies prepared based on 100% reimbursement and both have had prior dealings with the District where 100% reimbursement was discussed. The Board then agreed that it would not be appropriate to change it for them,

but that it would like to discuss the matter with the District's Financial Advisor with regard to future development in the District. Ms. Corprew then stated that she would discuss the matter with the District's Financial Advisor.

c. Easements. Ms. Corprew stated that she has nothing new to report regarding the acquisition of easements.

d. District's Web Site. Director Cook reported that she has nothing to report regarding the District's web site.

e. Water Smart Program Renewal. Director Bishop reported that she is working on the application to renew the District's Water Smart Program in order to meet the April 5, 2005 deadline.

f. Change Orders. Director Lackey then presented a list of change orders needing to be approved by the Board. Director Lackey explained that he has reviewed each of them and everything is in order. Upon motion by Director Cook, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the change orders as listed on Exhibit "G" attached hereto.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, the President adjourned the meeting at 9:00 p.m.

PASSED AND APPROVED this 21st day of April, 2005.

Secretary, Board of Directors

[SEAL]

EXHIBITS:

- A - Tax Assessor/Collector's Report
- B - Top Delinquent Taxpayers list
- C - Order Authorizing Additional 20% Penalty on Delinquent 2004 Tax Accounts
- D - Order Determining Ad Valorem Tax Exemptions for 2005 Tax Year
- E - Resolution Authorizing Petition Challenging Appraisal Records
- F - Bookkeeper's Report
- G - List of Change Orders

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