

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

May 5, 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, May 5, 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. Consultants attending were: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); David Summerlin of P.J. Hargis & Associates ("Bookkeeper"); 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") and Reace Harrison, developer of 11618 Boudreaux Road tract ("Harrison").

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 6:39 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. Director Lackey asked for public comments and Mr. Harrison stated that he is interested in purchasing a 5-acre tract, 11618 Boudreaux Road, and is, therefore, present at tonight's meeting to inquire about annexation and service for a commercial development on the tract. Director Lackey stated that in order for the Board to consider such action, Harrison will need to complete and Application for Service an Annexation and place a \$7,500 deposit with the District. The Board then instructed Ms. Corprew to forward the District's Policy, Procedures and Application for Water and Sewer Service, Annexation and/or Developer Reimbursement to Mr. Harrison.

[Mr. Harrison then exited the meeting.]

2. Draft Budget for Fiscal Year Ending May 31, 2006. Next, Mr. Summerlin reported that he had met with Directors Bishop and Cook and Mr. Boozer, Mr. Plunkett and Ms. Corprew to draft the budget for fiscal year ending May 31, 2006 prior to tonight's meeting, and then reviewed the proposed budget. The Board decided to defer approval of the budget to the second meeting of the month.

[Mr. Summerlin then exited the meeting.]

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 Pay Application No. 6 in the amount of \$241,699.90 to Industrial TX Corp. for the construction of Water Plant No. 2; (2) approve Pay Application No. 6 and Final in the amount of \$96,146.48 to State Excavation, Inc. for the water distribution, sanitary sewer and drainage facilities to serve Willow Falls, Sections 1 & 2, the Lift Station, and Force Main; (3) approve Pay Application No. 1 in the amount of \$355,092.37 to Bay Utilities, LLC for the water distribution, sanitary sewer and drainage facilities to serve Willow Falls, Section 3; (4) approve Pay Application No. 2 in the amount of \$19,000.00 to Clearwater Utilities, Inc. for the water distribution, sanitary sewer and drainage facilities to serve Stonepine, Section 2; (5) approve Pay Application No. 8 in the amount of \$124,322.50 to Triple B Services, LLP ("Triple B") for the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1; (6) approve Pay Application No. 5 in the amount of \$10,575.00 to R+B Group for Ashford Place Sanitary Lift Station; (7) approve Pay Application No. 6 in the amount of \$10,575.00 to R+B Group for Ashford Place Sanitary Lift Station; and (8) approve Pay Application No. 18 in the amount of \$32,544.15 to Reddico Construction Co. for water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 1 (collectively referred to herein as the "Engineer Action Items").

b. Rehabilitation of Outfall Channel. Mr. Boozer then reported that the rehabilitation of the outfall channel from the District's Wastewater Treatment Plant to Willow Creek project by Rebel Contractors, Inc. is complete but that he has not yet received the final pay application.

c. Joint Facilities Project. Next, with regard to the joint construction project serving the Willow Falls and Stonepine subdivisions, Mr. Boozer reported that the Engineer has determined that Stonepine overpaid on the project by \$48,560.23 and, therefore, Willow Falls will need to reimburse the District who will then reimburse DR Horton-Texas, Ltd. ("DR Horton") the applicable amount, since the District has been holding DR Horton's money in escrow for the project.

d. Ashford Place Lift Station. Mr. Boozer then reported that a notice has been sent to the R+B Group informing them that are behind schedule on the Ashford Place Sanitary Lift Station project.

e. Annexation Tracts. Then Mr. Boozer reported the following regarding proposed annexations into the District:

1. 136-Acre Finger Tract. NewQuest Properties has indicated that they are considering the annexation and development of the 136-acre Finger tract.
2. 31-Acre Cobblestone Tract. The feasibility and cost analysis is not yet finalized because Jim Hargrove of Cobblestone Construction, Inc. has revised the land plan.
3. 29-Acre Todd Tract. Ms. Corprew reported that she had received a call from Frank Lenk, the developer representing Joe Lee Todd, owner, and that he is ready to proceed with the proposed annexation. Mr. Boozer stated that he has not received a land plan or any further contact from Mr. Lenk.

Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the Engineer's Report and the Engineer's Action Items.

[Mr. Boozer then exited the meeting.]

4. APPROVAL OF MINUTES. The Board then considered approval of the minutes of the April 7, 2005 meeting, previously distributed to the Board. Director Lackey requested a revision to page 2 of the minutes. Upon motion by Director Ward, seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board approved the minutes of the April 7, 2005 meeting, as corrected.

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

a. Consumer Confidence Report. Then Mr. Plunkett reported that the draft of the 2004 Consumer Confidence Report (the "CCR") is ready, a copy of which is attached hereto as Exhibit "C"; however, he has not yet received the template from the Texas Commission on Environmental Quality (the "TCEQ") to verify the data. Ms. Plunkett requested the Board approve the CCR, subject to the integration of the appropriate data, and authorize the Operator to distribute the CCR to the District's customer's prior to July 1, 2005, as required by the TCEQ. Ms. Corprew also explained that since the District now has a website, it is necessary to post the CCR on it once it has been approved for distribution.

b. Superior Water Rating. Mr. Plunkett reported that he has received a letter from the TCEQ stating that the District's water supply has been granted a superior rating.

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c. Wastewater Treatment Plant. Mr. Plunkett next reported that the flow recorder has been installed at the District's Wastewater Treatment Plant.

Upon motion by Director Bishop, seconded by Director Cook, 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, approved the 2004 CCR, subject to the integration of the updated data, and authorized the Operator to distribute the CCR to the District's customers prior to July 1, 2005 and to post it on the District's website..

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

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

- a. Renewal of Insurance for Policy Term June 1, 2005 through June 1, 2006. Ms. Corprew distributed copies of the proposals for insurance renewal and explained that the District's current policy expires June 1, 2005; therefore, the Board needs to approve the renewal before the end of the month. The Board decided to defer action to the May 19, 2005 meeting.
- b. Association of Water Board Directors Summer Conference. Upon motion by Director Bishop, seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board authorized the Directors to attend the Association of Water Board Directors Summer Conference.
- c. Release of Funds from Escrow. Ms. Corprew then reported that she had received the approval letter from the TCEQ authorizing the release of \$2,674,870 from escrow from the Series 2004 Bond issue for the Water Plant No. 2 project, a copy of which is attached hereto as Exhibit "D."

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 8:10 p.m.

PASSED and APPROVED this the 2nd day of June, 2005.

(SEAL)

Secretary, Board of Directors

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EXHIBITS

- A - Engineer's Report
- B - Operator's Report
- C - Consumer Confidence Report
- D - Approval letter from the TCEQ authorizing the release of \$2,674,870 from escrow from the Series 2004 Bond issue