

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

May 19, 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 May 19, 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:

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"); Harry Peyton of AquaSurance, Inc. ("AquaSurance"); Kim Courte of Anco-Wessendorf Insurance ("Anco"); Tom Hargrove of Cobblestone Construction, Inc. ("Cobblestone"); 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 6:38 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. There were no public comments.
2. HARRIS COUNTY CONSTABLE REPORT. There was no Harris County Constable Report.
3. RENEWAL OF INSURANCE POLICY. Director Lackey then recognized Mr. Peyton who reviewed the AquaSurance insurance proposal for the policy term June 1, 2005 through June 1, 2006, a copy of which is attached hereto as Exhibit "A." Mr. Peyton explained that their policy covers claims for earth movement and subsidence and that the underwriter is in the process of preparing a letter to the AquaSurance customers stating this fact. Mr. Peyton also stated that their policy covers damages caused by sanitary back-up resulting from whatever reason, provided the cause is on the District's side of the customer's connection. After further discussion, Mr. Peyton exited the meeting.

[Director Ward and Ms. Courte then entered the meeting.]

Ms. Courte then discussed the Anco proposal with the Board, a copy of which is attached hereto as Exhibit "B," and explained the differences between her policy and the AquaSurance policy. The Board deferred further action on this matter to later in the meeting.

[Ms. Courte then exited the meeting.]

4. 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 "C" and "D," respectively. Mr. Pawlak reported that 95.979% of the District's 2004 taxes have been collected to date and that the reason there are so many refund checks this month is due to an error by Harris County Approval District ("HCAD") with regard to mineral interest accounts.

Upon motion by Director Cook, seconded by Director Ward, 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. RESOLUTION REQUESTING ESTIMATE OF APPRAISED VALUE FROM HCAD. Ms. Corprew then presented a Resolution Requesting Estimate of Appraised Value from HCAD as of May 1, 2005, a copy of which is attached hereto as Exhibit "E," and explained that such estimate is needed for the Series 2005 Bonds. Upon motion by Director Cook, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board approved the Resolution Requesting Estimate of Appraised Value from HCAD as of May 1, 2005.

[Mr. Pawlak departed the meeting at this time.]

6. BOOKKEEPER'S REPORT. Mr. Summerlin then presented the Bookkeeper's Report and the Summary of Security Cash Flow, copies of which are attached hereto as Exhibits "F" and "G," respectively. Mr. Summerlin reviewed the Report and the Summary, previously distributed to the Board. Upon motion by Director Cook, seconded by Director Moerbe, 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. BUDGET FOR FISCAL YEAR ENDING MAY 31, 2006. Mr. Summerlin then presented the proposed budget for the fiscal year ending May 31, 2006, a copy of which is attached to hereto as Exhibit "H." Mr. Summerlin explained that the budget has been revised to include the items discussed at the May 5, 2005 Board meeting. Upon motion by Director Cook, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the budget for the fiscal year ending May 31, 2006, as presented.

8. FEASIBILITY STUDY FOR PROPOSED ANNEXATION OF 33-ACRE COBBLESTONE CONSTRUCTION, INC. TRACT. Director Lackey then recognized Mr. Hargrove who explained that the feasibility study has not yet been finalized by the District's Engineer because the development plans are being revised. Mr. Hargrove then requested the Board authorize the Attorney to proceed with the annexation documents, subject to the completion and approval of the feasibility study with the understanding the developer may not

qualify for 100% reimbursement. Upon motion by Director Moerbe, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board authorized Ms. Corprew to forward the letter of intent regarding the proposed annexation to Mr. Hargrove with the understanding that the feasibility has not yet been approved by the Board and the understanding the developer may not qualify for 100% reimbursement.

[Mr. Hargrove and Mr. Summerlin exited the meeting at this time.]

9. MINUTES OF PRIOR MEETING: Ms. Corprew then presented the minutes of the April 21, 2005 Board meeting, previously distributed to the Board. Upon motion by Director Bishop, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board approved the minutes of the April 21, 2005 meeting, as presented.

10. AUTHORIZE ADVERTISING FOR BIDS. Ms. Corprew explained that Turner Collie & Braden has asked for authorization to advertise for bids for the construction of Northern Point Detention Basin, Phase II and the clearing and rough grading of Northern Point, Sections 4 & 5. Ms. Corprew went on to explain that the District's Engineer has reviewed the contract documents and recommends the Board approve this matter. Upon motion by Director Ward seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board authorized Turner Collie & Braden to advertise for bids for the construction of Northern Point Detention Basin, Phase II and the clearing and rough grading of Northern Point, Sections 4 & 5.

11. OLD BUSINESS. The Board then discussed the following old business:

a. Renewal of Insurance Policy. The Board reopened the discussion regarding the renewal of the District's insurance coverage for the June 1, 2005 through June 1, 2006 term. Upon motion by Director Cook seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved renewing the District's insurance coverage for the June 1, 2005 through June 1, 2006 term with AquaSurance and directed Ms. Corprew to obtain a copy of the underwriter's letter verifying that the policy covers earth movement as stated in the proposal by Mr. Peyton.

b. District Maintenance Building. Director Moerbe reported that he and Director Lackey are still working on the plans for the maintenance building.

c. District's Website. Director Cook reported that she has nothing new to report regarding the District's website.

12. MISCELLANEOUS. Director Lackey then reported that he has several change orders for the Board's consideration and that there is a problem with the galvanized plates being installed at Water Plant No. 2 for the new ground storage tank. After further discussion, the Board decided to call a special meeting on Tuesday, May 24, 2005, in order to tour the District's Water Plant No. 2 construction project and the Wastewater Treatment Plant expansion project, the subject of the matters being considered, and to review the proposed change orders with the District's Engineer.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion, the President adjourned the meeting at 10:45 p.m.

PASSED AND APPROVED this 30th day of June, 2005.

---

Secretary, Board of Directors

[SEAL]

**EXHIBITS:**

- A - AquaSurance insurance proposal
- B - Anco insurance proposal
- C - Tax Assessor/Collector's Report
- D - Top Delinquent Taxpayers list
- E - Resolution Requesting Estimate of Appraised Value from HCAD
- F - Bookkeeper's Report
- G - Summary of Security Cash Flow
- H - Budget for the Fiscal Year Ending May 31, 2006

{ PAGE }

{ FILENAME \p }