

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

May 24, 2005

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in **special** session, open to the public, at 6:30 p.m., at Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas on Thursday, May 24, 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:

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| 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. Also in attendance were: Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer") and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 6:36 p.m. and declared it open for such business as may come before it.

1. TOUR OF DISTRICT FACILITIES. First, the Board toured the District's Water Plant No. 2 site and the Wastewater Treatment Plant (the "WWTP") site to review the progress and condition of the construction projects.

a. Water Plant No. 2. Director Lackey directed the Board's attention to the galvanized side panels of the two (2) new ground storage tanks (the "GST") being constructed at the Water Plant No. 2 site and explained that they have corroded due to oxidation after the contractor, Industrial TX Corp., failed to store the panels pursuant to the specifications of the District's construction contract. The Board needs to determine whether to accept them as they are, to make the contractor obtain new panels and start the construction project over, or whether there is another alternative solution, added Director Lackey. Mr. Boozer explained that the contractor has offered to try to clean a section of the GST with muriatic acid to determine if that will remove the corrosion from the panels. The Board deferred action on the matter until returning to the Church.

b. Wastewater Treatment Plant. Next, the Board visited the WWTP site to review the status of the expansion of the WWTP and to revise the proposed change orders.

The Board then returned to the Church for further discussion.

2. WASTEWATER TREATMENT PLANT EXPANSION TO .9 MILLION GALLONS PER DAY (N&S CONSTRUCTION COMPANY, L.L.C.). Mr. Boozer then presented two (2) change orders as follows:

a. Change Order No. 8 to the Wastewater Treatment Plant Expansion Project. Mr. Boozer presented Change Order No. 8 to the Wastewater Treatment Plant expansion project in the amount of \$9,755.00 by N&S Construction Company, L.L.C., a copy of which is attached hereto as Exhibit "A." Director Lackey then reviewed the previous seven (7) change orders and explained that the purpose of this change order is to strengthen the wind resistance of the wooden fence to be constructed around the perimeter of the site. Director Lackey reported that he has obtained the opinion of a structural engineer that the proposed fence design will withstand winds up to 90 miles per hour, as evidenced by the letter subsequently received by Director Lackey, a copy of which is attached hereto as Exhibit "B." Upon motion by Director Ward seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved Change Order No. 8 to the Wastewater Treatment Plant expansion project in the amount of \$9,755.00 by N&S Construction Company, L.L.C.

b. Change Order No. 9 to the Wastewater Treatment Plant Expansion Project. Mr. Boozer reported that Change Order No. 9 to the Wastewater Treatment Plant Expansion Project for \$2,895.00, a copy of which is attached hereto as Exhibit "C," is to relocate the 20-inch mixed liquor line in the tank. Upon motion by Director Moerbe seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board approved Change Order No. 9 to the Wastewater Treatment Plant Expansion Project for \$2,895.

3. WATER PLANT NO. 2 CONSTRUCTION PROJECT (INDUSTRIAL TX CORP.). The Board then returned to the discussion of the corroded GST galvanized panels and what to do about it. Mr. Boozer presented a letter from Industrial TX. Corp. stating their position regarding the matter, a copy of which is attached hereto as Exhibit "D." Upon motion by Director Cook seconded by Director Bishop, after full discussion and with all Directors present voting aye, the Board authorized the contractor to try the muriatic acid treatment, previously discussed, to determine whether such action will clean the oxidation off the galvanized panels and to discuss the matter further at the next Board meeting.

4. REHABILITATION OF OUTFALL CHANNEL FROM WASTEWATER TREATMENT PLANT TO WILLOW CREEK (REBEL CONTRACTORS, INC.). Mr. Boozer then presented Change Order No. 1 to the contract for the rehabilitation of the outfall channel from the Wastewater Treatment Plant to Willow Creek project by Rebel Contractors, Inc. for \$0.0, a copy of which is attached hereto as Exhibit "E." Mr. Boozer added that the change order is needed to increase the number of days to the contract due to inclement weather. Upon motion by Director Cook seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved Change Order No. 1 to the contract for the rehabilitation of outfall channel from Wastewater Treatment Plant to Willow Creek project by Rebel Contractors, Inc. for \$0.0.

5. ASHFORD PLACE, SECTION 1. Next, Mr. Boozer presented Change Order No. 3 to the contract for the construction of the water, sewer and drainage facilities to serve Ashford Place, Section 1, Subdivision, a copy of which is attached hereto as Exhibit "F." Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved Change Order No. 1.

6. Miscellaneous Matters. The Board then discussed moving the regular meeting scheduled for July 7th to June 30th. Upon motion by Director Cook seconded by Director Lackey, after full discussion and with all Directors present voting aye, the Board approved moving the meeting to June 30th. Ms. Corprew then distributed for the Board's review the schedule for the Series 2005 Bond funding, a copy of which is attached hereto as Exhibit "G."

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 9:20 p.m.

PASSED and APPROVED this the 30th day of June, 2005.

(SEAL)

Secretary, Board of Directors

EXHIBITS

- A - Change Order No. 8 to the Wastewater Treatment Plant Expansion Project
- B Opinion of a structural engineer re fence designs
- C Change Order No. 9 to the Wastewater Treatment Plant Expansion Project
- D Letter from Industrial TX. Corp. regarding corrosion of galvanized panels
- E Change Order No. 1 to the contract for the rehabilitation of the outfall channel
- F Change Order No. 3 for the construction of the water, sewer and drainage facilities
- G Schedule for the Series 2005 Bond funding