

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

June 2, 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, June 2, 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: David Summerlin and Mark Burton of P.J. Hargis & Associates ("Bookkeeper"); Ben Pawlak of Bob Leared Interests ("Tax Assessor/Collector"); Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Others in attendance were: Andrew Dunn, District resident and liaison with Harris County Constable Department (the "Constable"); Joe McKee of Friendswood Development Company on behalf of Lennar Homes; and David McGowan of KB Homes ("KB").

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 6:49 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. There were no public comments.
2. APPROVAL OF MINUTES. The Board then considered approval of the minutes of the May 5, 2005 meeting, previously distributed to the Board. Director Lackey requested a revision to page 1 of the minutes. Upon motion by Director Ward, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the minutes of the May 5, 2005 meeting, as corrected.
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, a copy of which is attached hereto as Exhibit "A." Mr. Pawlak reported that 96.236% of the District's 2004 taxes have been collected to date. Mr. Pawlak then reviewed the Top Delinquent Taxpayers list, a copy of which is attached to the Tax Assessor/Collector's Report.

Upon motion by Director Cook, seconded by Director Moerbe, 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. BOOKKEEPER'S REPORT. Mr. Summerlin then presented the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "B." Mr. Summerlin first introduced Mr. Burton and explained that he is a new partner of P.J. Hargis & Associates. Mr. Summerlin then reviewed the Report, previously distributed to the Board, and the Summary of Security Cash Flow, a copy of which is attached to the Bookkeeper's Report. He then reported that check no. 1344 for \$73,378.18 to N&S Construction, Inc. is not on the Report.

Ms. Corprew suggested that Mr. Summerlin start forwarding invoices to developers after each meeting, as needed. Ms. Corprew then presented the letter to NewQuest Properties regarding their outstanding developer account, a copy of which is attached hereto as Exhibit "C." Upon motion by Director Ward, 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 and authorized the Bookkeeper to forward monthly invoices to the developers, as needed.

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

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

a. Repairs to District Facilities. Mr. Plunkett explained that there had been problems with the well controls at Water Well Nos. 1 and 4 last week and that they are working properly now. He also reported that the concrete tank at the Wastewater Treatment Plant (the "WWTP") should be back on line next week. Mr. Plunkett then suggested the Board authorize the maintenance of: (1) 750 linear feet of the outfall channel just south of the WWTP for a cost of \$10,500; (2) the Three Lakes Detention Pond for a cost of approximately \$9,000; (3) the Pinecrest Detention Pond and 3,400 linear feet for a cost of \$17,025; and (4) the confluence between the Finger tract and the District for a cost of \$5,600. Mr. Plunkett reported that Champions Hydro-Lawn, Inc. has quoted a price of \$12,600 to maintain the outfall channel from WWTP to Willow Creek recently rehabilitated by Rebel Contractors, Inc. The Board discussed the proposed projects and decided to defer the maintenance of the Detention Ponds and requested that Mr. Plunkett obtain additional proposals for the work. Mr. Boozer then recommended the District obtain an easement in order to maintain the rest of the outfall channel from the confluence at Willow Creek upstream approximately 150 feet to the Genesis driveway culvert.

b. Superior Water Rating. Mr. Plunkett reported that the District's water supply has been granted a superior rating by the Texas Commission on Environmental Quality (the "TCEQ"). Ms. Corprew then distributed the letter from the TCEQ regarding

this matter and requesting that the Board approve the attached Agreement regarding their willingness to comply with the TCEQ requirements, a copy of which is attached hereto as Exhibit "E."

Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board: (1) approved the Operator's Report; (2) authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order; (3) authorized the maintenance of the 750 linear feet of the outfall channel just south of the WWTP for a cost of \$10,500 and the confluence between the Finger tract and the District for a cost of \$5,600; (4) approved the Agreement with the TCEQ; and (5) authorized the Engineer and Attorney to determine the ownership of the land along the outfall channel from the confluence at Willow Creek upstream approximately 150 feet to the Genesis access and to proceed with acquiring an easement.

[Mr. Dunn arrived at this time.]

6. HARRIS COUNTY CONSTABLE REPORT. The President then recognized Mr. Dunn who presented the Constable's Report for the month of May 2005 to the Board and explained that crime has increased in the District since the last report. The Board then discussed whether to increase the number of hours the deputies patrol in the neighborhood, and Mr. Summerlin reported that the District is collecting sufficient funds for security purposes to pay for an additional 40 hours per month. Upon motion by Director Ward, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board authorized Mr. Dunn to add another 10 hour shift per week to the current patrol schedule in the District.

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

7. ENGINEER'S REPORT. Director Lackey next recognized Mr. Boozer, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "F." 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. 16 in the amount of \$58,049.86 to N&S Construction, LLC ("N&S") for the WWTP expansion from 0.575 MGD to 0.90 MGD; (2) approve Pay Application No. 17 in the amount of \$73,378.18 to N&S for the WWTP expansion from 0.575 MGD to 0.90 MGD; (3) approve Pay Application No. 5 and Final in the amount of \$43,390.50 to Rebel Contractors, Inc. for the outfall drainage channel rehabilitation project; (4) approve Pay Application No. 3 in the amount of \$30,412.64 to Clearwater Utilities, Inc. for the water distribution, sanitary sewer and drainage facilities to serve Stonepine, Section 2; (5) approve Pay Application No. 7 in the amount of \$57,825.00 to R+B Group for Ashford Place Sanitary Lift Station; (6) authorize advertising for bids for the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 3; (7) approve Pay Application No. 19 in the amount of

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\$0.0 to Reddico Construction Co. for water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 1; (8) approve Pay Application No. 9 in the amount of \$5,225.00 to Triple B Service, L.L.P. for the water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 2; and (9) approve Pay Application No. 5 in the amount of \$20,501.97 to Kenneth Lamb Construction Company for water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 3 (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2. Mr. Boozer then reported that the contractor constructing the Water Plant No. 2, N&S, has tried cleaning one (1) of the galvanized panels of the new ground storage tank (the "GST"), as discussed by the Board at the May 24, 2005, special meeting. He went on to explain that the muratic acid treatment removed the salt crystals but not the rest of the corrosion caused by the oxidation. Mr. Boozer stated that N&S has agreed to work with the galvanizing contractor for other recommendations regarding other procedures for cleaning the corroded panels of the GST.

c. WWTP Expansion. Next, Mr. Boozer explained that when the Texas Commission on Environmental Quality (the "TCEQ") approved the District's Application for Bond Issue No. 8, the TCEQ also approved the District's request to revise the standard calculation for waste water flow rate per equivalent single family connection ("ESFC"). Mr. Boozer explained that as part of previous request submitted to the TCEQ based on three (3) years of data, the District requested the TCEQ approve a reduction from the standard rating of 315 gallons per day ("gpd") to 265 gpd per ESFC. The TCEQ has approved this reduction by default with the approval of Bond Issue No. 8, explained Mr. Boozer.

d. District Maintenance Building. Mr. Boozer then directed the Board's attention to the specifications of the proposed maintenance building site at the Water Plant No. 1 site, a copy of which is attached to the Engineer's Report. The Board reviewed the drawing and decided to use crushed concrete for the driveway and parking lot rather than solid concrete. Director Moerbe then explained that he has obtained several estimates for the 20-foot by 60-foot building and the construction of the concrete foundation, then suggested the building not be finished out inside at this time since it is going to initially be used only to store the new portable generator. Ms. Corprew explained that if the various items to be constructed are being completed by different contractors, and the estimated cost is less than \$25,000, it may not be necessary to advertise for bids for the projects. Director Moerbe stated that he would obtain additional information regarding the maintenance building site before making his recommendation to the Board.

e. Annexation Tracts. Then Mr. Boozer reported that he had nothing new to report regarding the proposed annexations into the District. Ms. Corprew reported, however, that she had spoken with Tom Hargrove of Cobblestone Construction, Inc. today and that he had told her that he was meeting with Ryland Homes today to discuss, and hopefully approve, the revised site plan for the proposed residential development.

Mr. Hargrove requested that the Board defer any further action on the annexation of the 31-acre tract until he delivers the approved site plan to the Engineer in order for Mr. Boozer to complete the feasibility study.

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

8. DEVELOPERS' REPORT. Mr. McKee and Mr. McGowan then reported on the status of their respective development projects.

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

a. Interlocal Agreement with Harris-Galveston Coastal Subsidence District (the Subsidence District)". Ms. Corprew distributed for the Board's review a memorandum from the Subsidence District regarding the Water Wise Program at Kohrville Elementary and the related Interlocal Agreement, copies of which are attached hereto as Exhibit "G." Ms. Corprew noted that although the school opted not to accept the invitation to present the Water Wise program this past school year, the Subsidence District is requesting the District agree to offer the program to the school during the 2005-2006 term.

Upon motion by Director Bishop, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the Attorney's Report and the Interlocal Agreement with the Subsidence District.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 9:15 p.m.

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

Secretary, Board of Directors

(SEAL)

EXHIBITS

- A - Tax Assessor/Collector's Report
- B - Bookkeeper's Report
- C - Letter from Attorney to NewQuest Properties
- D - Operator's Report
- E - Letter from the TCEQ regarding superior water rating
- F - Engineer's Report
- G - Memorandum from the Subsidence District regarding the Water Wise Program at Kohrville Elementary and the related Interlocal Agreement