

## HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

### MINUTES OF BOARD OF DIRECTORS MEETING

June 30, 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 June 30, 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 with the exception of Director Ward. Also attending were Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer of Pate Engineers, Inc. ("Engineer"); David McGowen of KB Home ("KB"); Craig Rathmann of Rathmann & Associates ("Financial Advisor"); Tom Hargrove of Cobblestone Construction, Inc. ("Cobblestone"); Cary Dunham of Dungrove, L.L.C. ("Dungrove"); and Andrew P. Johnson, III 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 and declared it open for such business as may come before it.

1. PUBLIC COMMENTS. There were no public comments.
2. APPROVE MINUTES. The Board then considered approval of the minutes of the meetings of May 17, 2005, May 24, 2005 and June 2, 2005. Ms. Corprew reported that Mr. Boozer has provided corrections to the minutes. The Board deferred approval of the minutes until later in the meeting.
3. INVOICES. Next the President presented six (6) checks for approval, five (5) of which were from the operating fund, numbered 4301 through 4305, inclusive, totaling \$2,200.00, and the remaining check drawn on the construction fund, numbered 1345 in the amount of \$33,210.00 in payment of Water Plant No. 2 Pay Estimate No. 7. Upon motion by Director Cook, seconded by Director Moerbe, after discussion and with all Directors present voting aye, the Board authorized payment of the checks listed above to the payees and for the services rendered as shown on the summary of disbursements attached hereto as Exhibit "A".

4. OPERATOR'S REPORT. The President next recognized Mr. Plunkett who presented the Operator's Report, a copy of which is attached hereto as Exhibit "B". Mr. Plunkett prefaced his report by stating that due to the fact that the Board is meeting one (1) week earlier than usual, the data for June is not available yet, therefore the data reported is from May 23, 2005 through June 16, 2005. Discussion ensued regarding the channel maintenance, and Mr. Plunkett presented a proposal from Rebel Dozer for the ongoing maintenance and de-silting of the Three Lakes and Pinecrest Forest Detention Basins and the Boudreaux Drainage Channel, a copy of which is attached hereto as Exhibit "C". Mr. Plunkett pointed out that the proposal is lower than the amount proposed by Champions Hydro-Lawn. Mr. Plunkett suggested that the Board authorize Job No. 1 and No. 4 now in the amounts of \$9,675.00 and \$4,700.00, respectively, that Job No. 3 be postponed to a later date and that Job No. 2 wait until the channel drains. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board accepted the proposal of Rebel Dozer and authorized the Operator to notify the contractor to proceed with Job Nos. 1 and 4 at this time.

Mr. Plunkett next reported that the Consumer Confidence Reports ("CCRs") have been mailed to all of the District's Customers. Upon discussion, the Board noted that the CCR should be included on the District's website.

Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented.

5. ENGINEER'S REPORT. The President next recognized Mr. Boozer who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "D". 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. 7 in the amount of \$33,210.00 to Industrial TX Corp. for the construction of Water Plant No. 2; (2) approve Pay Application No. 8 in the amount of \$253,793.20 to Industrial TX Corp. for the construction of Water Plant No. 2; (3) approve Pay Application No. 2 in the amount of \$66,131.30 to Bay Utilities, LLC, for the water distribution, sanitary sewer and drainage facilities to serve Willow Falls, Section 3; (4) approve Pay Application No. 6 and Final in the amount of \$13,838.57 to Pace Services, Inc., for the water distribution, sanitary sewer and drainage facilities to serve Stonepine, Section 1; (5) authorize Turner Collie & Braden to advertise for bids for the construction of water distribution, sanitary sewer and drainage facilities to serve Northern Point, Sections 4 and 5; and (6) approve the award of the contract for constructing the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 2 to SLC Contraction, LP, the low bidder, in the amount of \$461,163.00 (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2. Mr. Boozer reported that the contractor is reviewing different methods for cleaning the corrosion from the panels on the new ground storage

tanks as explained on the Contractor's letter, a copy of which is attached to the Engineer's Report.

c. Wastewater Treatment Plant. Mr. Boozer reported that the final walk-thru with the Texas Commission on Environmental Quality had been conducted on Friday, June 17, 2005, that a punch list of items needing corrective action has been prepared and the Contractor is currently working on the repairs.

d. Stonepine, Section 1. Mr. Boozer reported that as of February 28, 2005, the water, sewer and drainage facilities construction had been 100% complete and recommended payment to the contractor, Pace Services, Inc., for Pay Application No. 6 and final in the amount of \$13,838.57.

e. Ashford Place, Section 2. Mr. Boozer reported that bids had been opened and read on June 10, 2005 for the water, sewer and drainage construction and recommended award of the contract to SLC Construction, LP in the amount of \$461,163.

f. Northern Point. Mr. Boozer reported that Turner Collie & Braden is requesting authorization to begin advertising for the water, sewer and drainage construction project for Northern Point, Sections 4 and 5.

g. Cobblestone Feasibility (33 acres). Mr. Boozer next presented the feasibility study he conducted with respect to Cobblestone's proposed annexation of 33 acres and development of approximately 91 lots. Mr. Boozer reported that the developer of such project will possibly not qualify for 100% reimbursement at the current tax rate. Mr. Rathmann explained how he calculates the value of improvements for purposes of selling bonds and reimbursing developers and that in terms of selling bonds, the numbers will probably be more favorable. Mr. Johnson stated that the District's Reimbursement Policy says that the District will reimburse up to the maximum qualified. Mr. Hargrove agreed to proceed with the annexation. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the feasibility study and authorized the Attorney to proceed with the annexation and preparation of the reimbursement agreement.

[Mr. Hargrove and Mr. Dunham departed the meeting at this time.]

h. Repairs. President Lackey next requested that controls be replaced at Water Plant No. 1 once Water Plant No. 2 is on line better since the controls on Water Plant No. 2 will be digital. The Plants will then communicate more efficiently.

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

6. DEVELOPER'S REPORTS. Mr. McGowen reported that Northern Point, Sections 4 and 5 will add an additional 183 lots to the development.

7. PRELIMINARY OFFICIAL STATEMENT. The President next recognized Mr. Rathmann who presented and reviewed with the Board a draft copy of the Preliminary Official Statement with respect to the District's proposed sale of \$9,890,000, Series 2005 Unlimited Tax Bonds. Ms. Corprew asked Mr. Rathmann if he is satisfied that each of the developers to be reimbursed with proceeds of the Bonds had satisfied the self-supporting requirements for the 100% reimbursements under the various reimbursement agreements. Mr. Rathmann stated that he could not verify the self-supporting requirements with the numbers he has received thus far. Discussion ensued and the Board instructed Mr. Boozer and Mr. Rathmann to obtain the necessary information then calculate whether each project in the Bond issue can stand alone and is self-supporting. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Order Adopting Preliminary Official Statement, Approving Notice of Sale and Authorizing Distribution Thereof, a copy of which is attached hereto as Exhibit "F".

8. MINUTES. Upon motion by Director Lackey, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of May 17 and 24, 2005, as presented, and June 2, 2005, as revised by Mr. Boozer.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, seconded by Director Moerbe, with all Directors present voting aye, the President adjourned the meeting.

Passed and approved this 18th day of August, 2005.

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Secretary, Board of Directors

**EXHIBITS:**

- A - Disbursements
- B - Operations Report
- C - Rebel Dozer Proposal
- D - Engineer's Report
- E - Cobblestone Feasibility Study
- F - Order Adopting Preliminary Official Statement