

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

August 4, 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 August 4, 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, P.E., of Pate Engineers, Inc. ("Engineer"); David McGowen of KB Home ("KB"); Micheal Preiss, P.E., of Turner, Collie & Braden, engineers for KB; Joe McKee of Lennar Homes ("Lennar"); Anthony White of W. W. Webber, Inc. ("Webber"); 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 deferred the minutes of June 30, 2005 and July 21, 2005 to the August 18, 2005 meeting.
3. PAYMENT. Next, Ms. Corprew requested that the Board approve a check made payable to D.R. Horton, Inc. ("DR Horton") for \$48,560.23 and recalled that Mr. Boozer had reported at the May 5, 2005 Board meeting that he had determined that DR Horton had overpaid on the joint construction project serving the Willow Falls and Stonepine subdivisions. Ms. Corprew reported that Willow Falls Development, Ltd. has now reimbursed the District, who had been holding DR Horton's money in escrow for the project, for the amount they underpaid on the project. This payment to DR Horton will close the account, explained Ms. Corprew. Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the payment to DR Horton.

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4. OPERATOR'S REPORT. The President next recognized Mr. Plunkett who presented the Operator's Report, including the Termination List, a copy of which is attached hereto as Exhibit "A". Mr. Plunkett then reported that he had forwarded a request to the Harris-Galveston Coastal Subsidence District for an amendment to the District's groundwater permit. Next, Mr. Plunkett explained that with regard to the problems with booster pump nos. 2 ("No. 2") and 5 ("No. 5") reported at the last meeting, he has determined that the motor bearings are bad. Since then, he has taken No. 5 out of service to repair it under warranty and then he will repair No. 2 when No. 5 is back in service.

Then, Mr. Plunkett presented the Collection Agency Request, a copy of which is attached hereto as Exhibit "B," and requested the Board authorize the write-off of the uncollectible delinquent accounts.

Upon motion by Director Moerbe, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized the write-off of the uncollectible delinquent accounts listed on the Collection Agency Request and the termination of service to the delinquent accounts listed on the Termination List pursuant to the provisions of the District's Rate Order.

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 "C." 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. 8 in the amount of \$253,793.20 to Industrial TX Corp. for the construction of Water Plant No. 2; (2) approve Change Order No. 1 in the amount of \$0 and Change Order No. 2 in the amount of \$8,531.89 to Industrial TX Corp. for the construction of Water Plant No. 2; (3) approve Pay Application No. 18 in the amount of \$35,886.21 and Pay Application No. 19 in the amount of \$21,944.79 to N&S Construction, LLC for the WWTP expansion from 0.575 MGD to 0.90 MGD; (4) authorization to advertise for bids for the construction of the District Maintenance Building; (5) approve Pay Application No. 9 in the amount of \$95,832.69 to Triple B Services, LLP for the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1; (6) approve Water and Wastewater Capacity Commitment for Ashford Place, Section 3; (7) review bids and approve the award of the contract for constructing the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 3; (8) approve the award of the contract for constructing the water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 4; and (9) approve the award of the contract for constructing the water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 5 (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2. Mr. Boozer reported that the contractor has completed

the clearing and blasting of the panels on the new Ground Storage Tank No. 1 at Water Plant No. 2 and directed the Board's attention to the pictures of the tank, copies of which are attached to the Engineer's Report.

c. Wastewater Treatment Plant. Director Lackey stated his concern that the contractor has not constructed the fence properly, and Mr. Boozer agreed to discuss this with the contractor.

d. Ashford Place, Section 3. Mr. Boozer directed the Board's attention to the Water and Wastewater Capacity Commitment for Ashford Place, Section 3, a copy of which is attached hereto as Exhibit "D."

Upon motion by Director Cook, seconded by Director Bishop, 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. Preiss then reported on the status of the KB development.

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

a. Transfer of Portion of MUD Rights and Receivable by Northwest Estates, LLC to KB Home Lone Star LP (the "Transfer of MUD Rights"). Ms. Corprew presented the Transfer of MUD Rights, a copy of which is attached hereto as Exhibit "E," and requested the Board consent to such Transfer. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board consented to the Transfer of MUD Rights.

b. Agreement for Temporary Water Service with Webber. Next, Ms. Corprew presented an Agreement for Temporary Water Service with Webber and recalled that such agreement had been discussed at the July 21, 2005 Board meeting. The Board reviewed the Agreement and made several revisions. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Agreement for Temporary Water Service with WW Webber, as revised, a copy of which is attached hereto as Exhibit "F."

c. \$9,890,000 Unlimited Tax Bonds, Series 2005. With regard to the status of the \$9,890,000 Unlimited Tax Bonds, Series 2005, Ms. Corprew reported that the Bond Transcript has been submitted to the Attorney General for review and approval and that the Bonds are scheduled to fund August 18, 2005, and that the District would be ready to reimburse the developers at the Board meeting that night, provided all of the conditions for payment have been satisfied.

8. MISCELLANEOUS MATTERS. The Board then discussed the maintenance of the NewQuest/Parkway Detention Pond and the need to include it in the Champions Hydro-Lawn, Inc. maintenance program. Upon motion by Director Moerbe, seconded by Director

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Lackey, after discussion and with all Directors present voting aye, the Board approved the inclusion of the NewQuest/Parkway Detention Pond in the Champions Hydro-Lawn, Inc. maintenance program. Director Lackey then reported that he had received a request from the Three Lakes Community Improvement Association asking who is to maintain the area outside the detention basin near Hargrove Elementary. The Board agreed that such area is to be maintained by the District and asked Mr. Plunkett to ensure that it is.

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

Passed and approved this _____ day of September, 2005.

Secretary, Board of Directors

EXHIBITS:

- A - Operations Report
- B - Collection Agency Request
- C - Engineer's Report
- D - Water and Wastewater Capacity Commitment for Ashford Place, Section 3
- E - Transfer of Portion of MUD Rights and Receivable by Northwest Estates, LLC to KB Home Lone Star LP
- F - Agreement for Temporary Water Service with Webber