

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

April 7, 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, April 7, 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: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Bob D. Boozer, P.E. of Pate Engineers, Inc. ("Engineer"); and Andrew P. Johnson, III and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

Developers in attendance were: A. J. Sullivan of Sam Yager Inc./Willow Falls Development, Ltd. ("Willow Falls"); Jeff Moody of KB Home Lone Star, LP ("KB") and Tom Hargrove of Cobblestone Construction, Inc. ("Cobblestone").

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 6:46 p.m. and declared it open for such business as may come before it.

1. PUBLIC COMMENT. There were no members of the general public present to address the Board.

2. APPROVAL OF MINUTES. The Board then considered approval of the minutes of the March 3, 2005 meeting, previously distributed to the Board. Upon motion by Director Moerbe, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the minutes of the March 3, 2005 meeting, as presented.

3. OPERATOR'S REPORT. The President next recognized Mr. Plunkett, who presented the monthly Operations Report, a copy of which is attached hereto as Exhibit "A." Mr. Plunkett first reviewed the monthly Operations Report and then presented the Termination List and the following discussion items:

a. Superior Water Rating. Mr. Plunkett reported that he has been told that the District has been awarded a superior water rating; however, he is still waiting on a

letter from the Texas Commission on Environmental Quality (the "TCEQ") confirming this.

b. Wastewater Treatment Plant. Mr. Plunkett next reported that the expansions to the District's Wastewater Treatment Plant (the "WWTP") are substantially complete and, therefore, the new WWTP is now on line. Mr. Plunkett further reported that the TCEQ has completed their inspection and everything seems to be functioning properly.

[Mr. Johnson arrived at this time.]

Upon motion by Director Moerbe, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the Operator's Report and authorized the termination of delinquent accounts listed on the Termination List in accordance with the District's Rate Order.

4. ENGINEER'S REPORT. The President next recognized Mr. Boozer, who presented the Engineer's Report, a copy of which is attached hereto as Exhibit "B." Attached to the Engineer's Report are copies of the pay estimates, change orders, utility commitments, and 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. 5 in the amount of \$26,099.14 to Industrial TX Corp. for the construction of Water Plant No. 2; (2) approve Pay Application No. 15 in the amount of \$44,503.25 to N&S Construction, LLC ("N&S") for the WWTP expansion from 0.575 MGD to 0.90 MGD; (3) approve Change Order No. 6 submitted by N&S for \$14,120.00, increasing the total contract for the WWTP expansion project to \$1,854,368.23; (4) approve Pay Application No. 1 in the amount of \$441,362.73 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 \$52,697.34 to Triple B Services, LLP ("Triple B") for the water distribution, sanitary sewer and drainage facilities to serve Ashford Place, Section 1; (6) approve Change Order No. 2 to the Triple B contract for Ashford Place, Section 1, which results in no increase; and (7) approve Pay Application No. 7 in the amount of \$2,565.00 to Triple B for the water distribution, sanitary sewer and drainage facilities to serve Northern Point, Section 2 (collectively referred to herein as the "Engineer Action Items").

b. Water Plant No. 2. Mr. Boozer then reported that the new ground storage tank at the new Water Plant No. 2 is scheduled to be installed next week. The Board then selected the paint colors to be used on the facilities constructed at the Water Plant No. 2.

c. WWTP Expansion Project. Next, Mr. Boozer presented a change order for \$8,300 for additional crushed concrete to be used on the driveway at the WWTP.

Director Lackey explained that he thought additional crushed concrete should be used to widen the turns in the driveway since they are not wide enough for trucks to turn without running off the road. The Board then discussed what portion of the driveway should be constructed with regular concrete and what with crushed concrete. The Board then directed Mr. Boozer to determine the cost of making these additional changes for the Board's consideration at the April 21st meeting.

d. Bond Application No. 8. Mr. Boozer then reported that the TCEQ has informed him that they should be forwarding their approval of the Bond Application to the District by the middle of May, 2005.

e. District Maintenance Building. The Board then discussed the status of Directors' Lackey and Moerbe's efforts to obtain cost estimates for the maintenance building proposed for construction at the Water Plant No. 1 site. Director Lackey reported that he should have something to submit by the Board's May 7, 2005 meeting. Mr. Boozer then requested the Board approve the engineering proposal dated March 17, 2005 relating to the civil engineering for this project. Upon motion by Director Moerbe, seconded by Director Cook, after full discussion and with all Directors present voting aye, the Board approved the engineering proposal, a copy of which is attached hereto as Exhibit "C."

[Mr. Moody arrived at this time.]

f. Northern Point, Section 3. Mr. Boozer informed Mr. Moody that KB does not have a utility commitment from the District for Northern Point, Section 3 and that should KB desire to obtain one, they need to send a written request to the District.

g. Gallegos 55-Acre Proposed Annexation Tract. Mr. Boozer reported that he has nothing new to report regarding the proposed annexation and development of the 55-acre tract owned by Jesus Gallegos. Ms. Corprew reported that a letter of intent had been forwarded to Mr. Gallegos, but that she has not received a response.

h. Todd 29-Acre Proposed Annexation Tract. Mr. Boozer reported that he has nothing new to report regarding the 29-acre tract owned by Joe Lee Todd and proposed for annexation and development by Frank Lenk. Ms. Corprew reported that she spoke with Mr. Lenk and that he is not ready to proceed at this time.

i. Request for Annexation of 31-Acre Cobblestone Tract. Next, Mr. Boozer introduced Mr. Hargrove. Mr. Hargrove explained that he is at tonight's meeting to request the District consider a request to annex approximately 31 acres of which approximately five (5) acres will be developed with commercial projects and the remaining area will be residential development. Ms. Corprew explained that in order to proceed with the feasibility study, he will need to complete an Application for Service and Annexation and forward a deposit for \$7,500 to the District. Upon motion by Director Cook, seconded by Director Ward, after full discussion and with all Directors present voting aye, the Board authorized the Engineer to prepare a feasibility study for

annexation and serving the 31-acre tract, subject to the receipt of the Application and \$7,500 deposit.

[Mr. Hargrove then exited the meeting.]

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

5. DEVELOPERS' REPORT. Mr. Sullivan then reported on the status of the Willow Falls subdivision development project and Mr. Moody reported on the status of the Northern Point subdivision development project.

6. ATTORNEY'S REPORT. The President next recognized Ms. Corprew, who presented the Attorney's Report as follows:

- a. Willow Falls Extreme Event Swale. Ms. Corprew presented a Warranty Deed for the Willow Falls Extreme Event Swale for the Board's acceptance.
- b. Updates to Water Conservation and Drought Contingency Plans. Next, Ms. Corprew explained that pursuant to the requirements of House Bill 2663 of the 78th Texas Legislative, Regular Session, Section 11.1272 of the Texas Water Code was amended to require all water conservation and drought contingency plans to include by May 1, 2005 specific, quantified targets for water use reductions to be achieved during periods of water shortages and drought conditions. Ms. Corprew explained that she is requesting that the Board authorize the Engineer, Operator and Attorney to make the necessary revisions to the plans.

Upon motion by Director Bishop, seconded by Director Moerbe, after full discussion and with all Directors present voting aye, the Board approved the Attorney's Report and the Warranty Deed for the Willow Falls Extreme Event Swale and authorized the Engineer, Operator and Attorney to make the necessary revisions to the plans.

THERE BEING NO FURTHER BUSINESS BEFORE THE BOARD, the meeting was adjourned at 8:30 p.m.

PASSED and APPROVED this the 5th day of May, 2005.

(SEAL)

Secretary, Board of Directors

EXHIBITS

- A - Operator's Report
- B - Engineer's Report
- C - Engineering Proposal Maintenance Building Project