

[HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF MEETING

November 1, 2007

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 Thursday, November 1, 2007, 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
Michael J. Ward	Treasurer
Allison Dunn	Assistant Secretary

All members of the Board were present. Also attending were: Tracy Riley of Eagle Water Management, Inc. ("Operator"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") for Pate Engineers, Inc. ("Pate"); R. Craig Rathmann of Rathmann & Associates ("Financial Advisor"); Gina Barnes of KB Home Lone Star ("KB"); and Kaye C. Corprew, attorney, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

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 at 6:35 p.m.

1. PUBLIC COMMENT. There were no members of the general public present.
2. BOND SALE. Mr. Rathmann first directed the Board's attention to the Standard & Poor's ("S&P") letter dated October 25, 2007, a copy of which is attached hereto as Exhibit "A", wherein S&P has rated the District's credit without any enhancement as "BBB-" which rating Mr. Rathmann explained is investment grade. Mr. Rathmann further explained that the investment grade credit rating translates into even lower interest rates for the District's bonds and that the Series 2007 Bonds will be "AAA" rated by virtue of the financial guaranty insurance policy the underwriters are required to purchase.
 - a. Receive and Accept Bids. Mr. Rathmann next distributed the bid report, a copy of which is attached hereto as Exhibit "B", and stated that four (4) bids had been received with the lowest bid being the bid received from Southwest Securities, Inc. Southwest Securities, Inc. submitted a good faith deposit check in the amount of \$188,000.00 which will be held by Bond Counsel and returned to Southwest Securities, Inc. upon receipt of their purchase price for the Series 2007 Bonds. Mr. Rathmann then recommended that the Board accept the bid to

purchase the Series 2007 Bonds submitted by Southwest Securities, Inc. Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board accepted the low bid received from Southwest Securities, Inc., with bond insurance furnished by Financial Security Assurance, Inc.

- b. Official Statement. Mr. Rathmann next presented the final form of the Official Statement, a copy of which is attached hereto as Exhibit "C" and requested that the Board approve same. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the final form of the Official Statement.
 - c. Order Authorizing Issuance of \$9,400,000 Unlimited Tax Bonds, Series 2007. Ms. Corprew then presented an Order Authorizing Issuance of \$9,400,000 Unlimited Tax Bonds, Series 2007; An Escrow Agreement; A Transfer and Paying Agent Agreement; And Other Matters Related Thereto, for approval by the Board, a copy of which is attached hereto as Exhibit "D". Upon motion by Director Dunn, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Order.
 - d. Attorney General's Transcript Review Fee. Ms. Corprew next requested that the Board approve a check drawn on the District's Operating Account in the amount of \$9,400.00 for the Attorney General's transcript review fee. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized execution and remittance of the check.
3. MINUTES. The Board next considered approval of the minutes of the October 18, 2007 Board of Directors meeting. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.
 4. OPERATOR'S REPORT. The President next recognized Mr. Riley, who presented and reviewed with the Board, the Operator's Report, a copy of which is attached hereto as Exhibit "E". First, Mr. Riley reported that the bill versus produced ratio for the month of October was 93.70% with 3,094 connections, and then he presented the Termination List, a copy of which is attached to the Operator's Report.
 - a. Operations. Director Ward questioned Mr. Riley regarding the odor that has been detected from time to time in the vicinity of Sandy Stream Street. Discussion ensued regarding the possible origins of the odor and ways to alleviate same. Mr. Riley requested that any person detecting the odor should call the Operator at once so that it can be investigated.

Mr. Riley next reported that he received a call from a realtor that a house located within the District had been flooded. Mr. Riley further reported that the source of the water, upon investigation, was from the copper tubing of the automatic ice

maker from the customer's refrigerator and, therefore, there is no liability to the District.

- b. Repairs. Mr. Riley then reported that there appears to be a problem with one of the sewer stacks in Ashford Place, Section 2. Discussion ensued as to the likely cause of the damaged sewer stack and whether or not the problem is perceived to be an isolated incident in Ashford Place, Section 2.

Mr. Riley next reported that two (2) customers in adjacent houses on Mammoth Falls in Willow Falls Subdivision, called the Operator several times reporting of a sewer back-up. The Operator contacted Source Point who televised the line and found an accumulation of grease in the line. Mr. Riley reported that the line had been jetted and is now clean.

Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented and authorized termination of service to customers on the Termination List attached thereto in accordance with provisions of the District's Rate Order.

5. ENGINEER'S REPORT. The President next recognized Mr. Stendahl, who presented and reviewed the Engineer's Report, a copy of which is attached hereto as Exhibit "F". Mr. Stendahl prefaced his reported by stating that he did not receive the October water quality monitory report from the laboratory yet, therefore, he does not have the results of the tests of Water Well Nos. 2, 3, and 5 for October.
 - a. Capital Improvement Report. Mr. Stendahl reported that the Capital Improvement Report attached to the Engineering Report has been updated to include the \$1,200.00 approved at the last meeting for the electronic filters at the District's Maintenance Building.
 - b. Standby Power Facilities. Mr. Stendahl stated that he would bring a proposal to prepare a bid package to purchase all the standby power facilities at one time to the next meeting.
 - c. Construction of District Maintenance Building. Mr. Stendahl reported that civil site work for the maintenance building is 95% complete. Director Lackey added that the contractor has stated that the building will be totally completed by November 2nd.
 - d. Proposed Water Well No. 6. Next, Mr. Stendahl directed the Board's attention to the revised schedule at the back of the Engineer's Report. Mr. Stendahl reported that he and Diane Allen of JRPB had met with the Harris County (the "County") engineer and attorney and learned that the County prefers to use the center line method of determining the right-of-ways and easement descriptions along Solomon Road Extension rather than the old recorded deeds as had been suggested. Mr. Stendahl further reported that this process of meeting with the County and using the center line method has set the water well and easement project back by a week.

- e. Water Plant No. 1 – Motor Control Center. Mr. Stendahl reported that there has been no change to the motor control center at Water Plant No. 1 since the last meeting.
- f. 2008 TPDES Discharge Permit Renewal. Mr. Stendahl reported that Pate had received notice from the Texas Commission on Environmental Quality that the permit renewal is administratively complete.
- g. Water Well No. 4 Motor Repair. Mr. Stendahl reported that Layne Texas has confirmed that Water Well No. 4 pump motor is to be repaired and shipped back to the District in mid-November.
- h. Site Development. Mr. Stendahl reported that a tax exempt entity is considering the purchase of the east half of the 29-acre Todd tract (approximately 15 acres) and that the representative has inquired about capacity for 100 equivalent single-family connections.
- i. 12" Water Line Along State Highway 249 (Three Lakes Blvd. to Windsor Pointe Dr.) Mr. Stendahl reported that there are still two (2) easements remaining to be procured before the Highway 249 water line extension can be constructed. Ms. Corprew then updated the Board on the status of the attempts to acquire an easement from Hillegeist Family Enterprises, L.L.P.
- j. Engineering Proposal. Finally, Mr. Stendahl directed the Board's attention to Pate's proposal to perform additional professional engineering services with respect to Water Well No. 6 and related Well Collection Line, a copy of which is attached hereto as Exhibit "G".

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Engineering Report as presented and accepted the proposal from Pate Engineers for additional engineering services with respect to Water Well No. 6 and Well Collection Line.

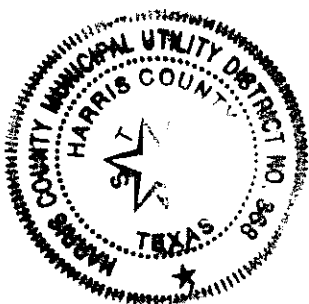
- 6. DEVELOPER'S REPORT. The President next recognized Ms. Barnes, who presented and reviewed with the Board, KB Home's status report with respect to the development in Northern Point, a copy of which is attached hereto as Exhibit "H".
- 7. ATTORNEYS REPORT. The President next recognized Ms. Corprew, who presented the Attorneys Report, as follows:
 - a. Rate Order. Ms. Corprew first distributed a copy of the revised Rate Order as adopted by the Board at the October 18, 2007 Board meeting and reviewed the changes adopted.
 - b. Water Well No. 6. Ms. Corprew next distributed and reviewed an Easement Status Chart with respect to the raw water transmission line for Water Well No. 6, a copy of which is attached hereto as Exhibit "I".


- c. Title Insurance for Water Rights. Ms. Corprew next distributed and reviewed with the Board, a memo written by Diane Allen of JRPB regarding the availability of title insurance for water rights, a copy of which is attached hereto as Exhibit "J". Discussion ensued as to the timing, the cost and when a final decision is needed as to whether to purchase the title insurance for the water rights and easements. Ms. Corprew stated that she would get with Ms. Allen to determine the answer to the questions raised by the Board but in the meantime, if the Board thinks that they might be interested in purchasing the title insurance with respect to Water Well No. 6 site and easements, they need to change title companies to one that offers the coverage. Upon motion by Director Cook, seconded by Director Lackey, with all Directors present voting aye, the Board authorized the Attorney to change title companies.
- d. Solomon Road Easements. Ms. Corprew next distributed to the Board a draft letter to the Solomon Road Extension easement owners and another one to the Solomon Road and Huffsmith-Kohrville easement owners. The Board reviewed the letters, suggested revisions then directed the Attorney to forward the letters to the respective easement owners. A copy of both letters is attached hereto as Exhibit "K."
8. WATERWISE PROGRAM. Director Bishop next requested that the Board consider whether or not they want to participate in the WaterWise Program for the 2007-2008 school year since she has learned that the principal of Kohrville Elementary where the program is scheduled to be presented to the 4th grade class but is considering moving to the 5th grade class this year due to the curriculum. Director Dunn reported that she has been communicating with Susan Brown of the Harris-Galveston Subsidence District (the "Subsidence District") about this matter since the Subsidence District is who offers the WaterWise Program and that Ms. Brown is of the opinion that presenting the program to the same kids as last year would not be beneficial. Director Bishop suggested that the District forgo purchasing the WaterWise kits this year and instead request that the North Harris County Regional Water Authority participate in "Science Day" in May 2008 at Kohrville Elementary. Further discussion was tabled to the next Board meeting.

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

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, the President adjourned the meeting at 9:21 p.m.

Passed and approved this 15th day of November, 2007.




Secretary, Board of Directors

EXHIBITS:

- A – Standard & Poor's Rating Letter
- B – Bid Report for Series 2007 Bonds
- C – Final Form of Official Statement
- D – Order Authorizing Issuance of \$9,400,000 Unlimited Tax Bonds
- E – Operator's Report
- F – Engineer's Report
- G – Pate Engineer's Proposal
- H – KB Home Development Report
- I – Easement Status Chart
- J – JRPB Memo Regarding Water Rights Title Insurance
- K – Letters to owners of proposed raw water transmission line easements