

**HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368  
MINUTES OF BOARD OF DIRECTORS MEETING**

**October 18, 2007**

The Board of Directors (the "Board") of the Harris County Municipal Utility District No. 368 (the "District") met in regular session, open to the public, at 6:30 p.m. on Thursday, October 18, 2007 at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, 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 V. Dunn	Assistant Secretary

All members of the Board were present. Consultants in attendance were: Wendee Gamble of Municipal Accounts & Consulting ("Bookkeeper" or "Municipal Accounts"); Rusty Leared of Bob Leared Interests, Inc. ("Tax Assessor/Collector"); Mark T. Stendahl, P.E., consulting engineer ("Engineer") and representative of Pate Engineers, Inc. ("Pate"); Craig Rathmann of Rathmann & Associates ("Financial Advisor"); and Andrew P. Johnson, III and Kaye C. Corprew, attorneys, 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 at 7:00 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. There were no members of the general public present.
2. MINUTES OF OCTOBER 4 and 8, 2007 MEETINGS. Upon motion by Director Bishop, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the minutes of the October 4, 2007 and October 8, 2007 Board meetings as presented.
3. ORDER ADOPTING PRELIMINARY OFFICIAL STATEMENT. The President first recognized Mr. Rathmann, who presented and reviewed with the Board the draft Preliminary Official Statement, a copy of which is attached hereto as Exhibit "A". Mr. Rathmann stated that the Series 2007 Unlimited Tax Bonds will be advertised for sale pursuant to the Board's approval tonight and bids will be accepted by the Financial Advisor through 2:00 p.m. on Thursday, November 1, 2007 and presented to the Board for award to the low bidder at 6:30 p.m., Thursday, November 1, 2007. Mr. Rathmann then stated that Alan Raynor of McCall, Parkhurst & Horton, LP, has been retained as

Disclosure Counsel for the Bonds. Discussion then ensued regarding property values within the District. Mr. Rathmann reported that the District's estimated assessed value as of September 1, 2007 has rebounded to \$430,000,000 from a low of \$18,601,390 in 1994 with all fund balances strong. Upon motion by Director Bishop, seconded by Director Cook, 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 "B".

4. TAX RATE RECOMMENDATION. Mr. Rathmann next distributed and reviewed with the Board the 2007 Tax Rate Recommendation, a copy of which is attached hereto as Exhibit "C". Mr. Rathmann recommended that the District adopt a debt service tax rate for 2007 of \$0.82 per \$100 assessed valuation and a \$0.12 per \$100 of assessed valuation for maintenance and operations tax. Discussion ensued regarding the additional funds necessary for the three additional deputies as well as the budget for the fiscal year ending May 31, 2008. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized the Tax Assessor/Collector to publish a total tax rate of \$0.96 comprised of \$0.82 for debt service and \$0.14 for maintenance and operations tax and a notice of a public hearing on such proposed tax rate for November 15, 2007 at 6:30 p.m.
5. TAX ASSESSOR/COLLECTOR'S REPORT. The President next recognized Mr. Leared who presented and reviewed with the Board, the Tax Assessor/Collector's Report, a copy of which is attached hereto as Exhibit "D". Upon motion by Director Cook, seconded by Director Dunn, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented and the payment of invoices reflected therein.
6. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's Report, a copy of which report is attached hereto as Exhibit "E". Ms. Gamble reviewed the receipts and expenditures, then reviewed the fund balances year-to-date budget and Investment Report, all of which are attached to the Bookkeeper's Report. Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented, the investment report and the payment of invoices. Ms. Gamble stated that this would be the last meeting she would be attending as she has decided to take a different direction with her career and has, therefore, resigned from Municipal Accounts.
7. HOUSE BILL 3693. Ms. Corprew next reminded the Board that a JRPB memorandum concerning new legislation covering the reporting of energy consumption had been discussed at the October 4, 2007 Board meeting and explained that she placed it on the agenda again since Ms. Gamble had not been at that meeting. Ms. Corprew went on to explain that it is necessary to clarify whether or not the Bookkeeper would be compiling and reporting the electrical usage data quarterly as suggested in the memorandum. Ms. Gamble responded that her firm would indeed compile and report the electrical usage data monthly and see that it gets posted quarterly on the District's website as required under the new legislation.

8. WATER WELL NO. 6. Ms. Corprew next updated the Board on the status of acquisition of the easements required with respect to the Water Well No. 6 raw water transmission line. Ms. Corprew reported that during a conference call yesterday she had learned that an issue had come up concerning the layout of Solomon Road Extension and a recorded access easement for same. Ms. Corprew stated that since the descriptions do not match Harris County has to make a ruling as to the method of determining the center alignment of Solomon Road Extension and that the legal description and appraisal of the easement cannot be completed until that time.
  
9. NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("AUTHORITY"). Ms. Corprew updated the Board on the Right of Entry and Possession/Right of Way and Easement Agreement with the Authority and reported that the Authority had agreed to the requested revisions. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Agreement, subject to further review by Ms. Corprew.
  
10. ANNUAL CONTINUING DISCLOSURE. Ms. Corprew next reminded the Board that the deadline is approaching for the District to file its annual continuing disclosure report which the District covenanted to do under each of their outstanding bond orders. Upon motion by Director Lackey, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized the Financial Advisor and Attorney to prepare and file the report on behalf of the District.
  
11. REPAIRS TO DISTRICT FACILITIES. Director Lackey reported that the Water Well No. 4 motor had been pulled and is in Lubbock for repairs.
  
12. RATE ORDER AMENDMENT. Mr. Johnson next presented and reviewed with the Board a revised Commercial Properties Spreadsheet with respect to cost allocation for additional security patrols. Director Ward suggested that the Board break the commercial meters out into tiers based upon actual usage and then estimated usage for those commercial entities that are currently under construction or have requested service. Discussion ensued regarding the appropriate division among the tiers and whether or not irrigation meters should be included in the tier structure. It was the consensus of the Board that all non-single family accounts, excluding irrigation meters, should be included in the tiers and that each irrigation meters would pay a minimum flat fee of \$20.00 per month. Upon motion by Director Ward, seconded by Director Cook, after a lengthy discussion and with all Directors present voting aye, the Board adopted new rates for security services for commercial and tap-exempt accounts as follows:

<u>Usage Per Month</u>	<u>Monthly Security Fee Per Meter</u>
0 to 49,999 gallons	\$ 100
50,000 to 79,000 gallons	\$ 250
80,000 to 199,000 gallons	\$ 500
200,000 gallons and over	\$2500

Additionally, the Board adopted an Amended Rate Order and authorized the Attorney to amend the District's Rate Order to (i) include the new security rates as set forth above, (ii) allow for electronic payments at such time as the Operator notifies the District's Customers of the options, and (iii) increase the monthly sewer charge to reflect the increase in the garbage collection rate charged by Waste Corporation of America. A copy of the Amended Rate Order is attached hereto as Exhibit "F".

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Ward, the President adjourned the meeting at 10:36 p.m.

Passed and approved this 1st day of November, 2007.



  
Secretary, Board of Directors

EXHIBITS:

- A - Preliminary Official Statement
- B - Order Adopting Preliminary Official Statement
- C - Tax Rate Recommendation
- D - Tax Assessor/Collector's Report
- E - Bookkeeper's Report
- F. Amended Rate Order