

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

**September 20, 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, September 20, 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"); 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"); Noel Barfoot of McCall, Gibson & Company, PLLC ("Auditor"); Andrew Dunn, District resident and liaison with the Harris County Constable Department (the "Constable"); and Andrew P. Johnson, III and Kaye C. Corprew, attorneys, and Marian D. Henderson, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney" or "JRPB").

Residents of Solomon Road and Solomon Road Extension in attendance were as follows: Beverly Allen, Quincy Allen, Carla Beal, A. Parker, James Solomon, David Solomon and Freddie L. Solomon.

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 6:52 p.m. for such business as may properly come before the Board.

1. PUBLIC COMMENT. Mr. Quincy Allen questioned the Board regarding the status of the District's plans for Water Well No. 6 to be located on the Jennings tract and the related raw water transmission line. Mr. Johnson stated that since the last meeting he had spoken with Pastor Solomon regarding a draft letter to all residents along Solomon Road Extension and that everyone in attendance at the September 6<sup>th</sup> Board meeting and all residents along Solomon Road Extension had received such letter requesting access for surveying the proposed water line easements and answering questions raised at the meeting. Mr. Stendahl then updated the Board on the status of the surveys of the Jennings Tract, Solomon Road Extension, and the water line easements. Mr. Stendahl reported that Pate has resumed working on the surveys of the Jennings tract and Solomon

Road Extension, but not on the easements until further assurance that the residents will not interfere with the surveyor's effort. Mr. Allen stated that the residents along Solomon Road Extension are still opposed to granting the District easements to construct a water line along their property. Mr. Johnson then explained the condemnation process available to the District. [Mr. Dunn arrived at 7:10 p.m.] The question was then put to the Board whether or not it is necessary for the District to have a 20-foot wide easement. In response, Mr. Stendahl explained the City of Houston's requirements for the 20-foot easement. Mr. Johnson requested cooperation from residents so that the survey could be completed, which would enable the appraiser to deliver values to the District, from which offers could then be made to affected landowners. Mr. Stendahl agreed to meet Pastor Solomon and any other interested persons to discuss the layout of the water line and related easements prior to resuming the survey of the easements.

2. CONSTABLE'S REPORT. Mr. Dunn then presented the Constable's Report. Mr. Dunn reported that there had been three burglaries of habitation and several burglaries of motor vehicles.
3. MINUTES OF SEPTEMBER 6, 2007 MEETING. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the minutes of the September 6, 2007 Board meeting as presented.
4. STATEMENT ON AUDITING STANDARDS NO. 112. The President next recognized Mr. Barfoot who addressed the Board regarding the Statement on Auditing Standard No. 112, including the impact on the District's Audit. Discussion ensued regarding the impact on bond ratings or interest rates and Mr. Johnson stated that in his conversations with financial advisors for water districts, including Mr. Rathmann, the District's financial advisor, they do not believe that the Management Letter in the Audit regarding the perceived deficiency in auditing procedures will have a negative impact on the District's ability to sell bonds or on the interest rates received on the bonds. Mr. Barfoot stated that McCall, Gibson & Company PLLC is not recommending any changes in the way the District prepares its audit.
5. ANNUAL AUDIT REPORT. Mr. Barfoot next presented and reviewed a draft of the District's annual audit report for the fiscal year ended May 31, 2007, a copy of which is attached hereto as Exhibit "A". Upon motion by Director Bishop, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the Draft Audit, subject to corrections noted.
6. ENGAGE AUDITOR FOR REIMBURSEMENT AUDIT. Mr. Barfoot next presented the Board with an engagement letter from McCall, Gibson & Company PLLC to prepare the Reimbursement Audit for District's Series 2007 Unlimited Tax Bonds at an estimated fee of \$5,500 to \$7,500. Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized execution of the engagement letter, a copy of which is attached hereto as Exhibit "B".

7. 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 "C". Mr. Leared directed the Board's attention to a memorandum by the District's delinquent tax attorney, Perdue Brandon Fielder Collins & Mott, L.L.P., concerning House Bill 621, a copy of which is attached as Exhibit "D", and explained the new legislation concerning goods in transit. Mr. Leared explained that in order to have the right to tax such goods, the District must adopt a Resolution prior to December 31, 2007. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Resolution to Tax Tangible Personal Property In Transit Which Would Otherwise Be Tax Exempt Pursuant to Texas Tax Code, Section 11.253, a copy of which is attached hereto as Exhibit "E". Upon motion by Director Cook, seconded by Director Bishop, after discussion and with all Directors present voting aye, the Board approved the Tax Assessor/Collector's Report, as presented.
8. BOOKKEEPER'S REPORT. Ms. Gamble next presented the Bookkeeper's Report, a copy of which report is attached hereto as Exhibit "F". 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. Discussion ensued regarding amending the budget to reflect the three additional deputies at the October 18, 2007 Board meeting. Upon motion by Director Ward, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board approved the Bookkeeper's Report as presented and the Investment Report and authorized the payment of the District's bills.
9. RATE ORDER AMENDMENT. Mr. Johnson next presented and reviewed with the Board a Commercial Properties Spreadsheet with respect to cost allocation for additional security patrols, a copy of which is attached hereto as Exhibit "G". After discussion regarding the fairest method of imposing an additional assessment on only commercial customers, a combination of commercial and residential customers, or an increase in maintenance tax coupled with a homestead exemption to pay for the additional security patrols, the Board determined that further discussion is needed and decided to hold a special meeting to continue discussions on the matter, Monday, October 8<sup>th</sup> at 6:00 p.m. [Mr. Leared and Mr. Dunn departed the meeting at this time.]
10. GARBAGE RATE INCREASE. Ms. Corprew next presented the Board with a letter from Matthew May of Waste Corporation of America ("WCA") notifying the District of a 4.7% rate increase, from \$11.15 per residential connection to \$11.67 per residential connection, effective with the September 2007 billing cycle, a copy of which letter is attached hereto as Exhibit "H". Ms. Corprew stated that the increase is an automatic component of the District's Garbage Collection Agreement with WCA which calls for a yearly price increase on the anniversary date based on the most recently published Consumer Price Index. Discussion ensued regarding some service issues with WCA that had either been brought to the attention of the Directors by residents or witnessed first-hand by the Directors. Ms. Henderson stated that she would call Mr. May to address the issues. The Board directed the Attorney to amend the District's Rate Order to reflect the

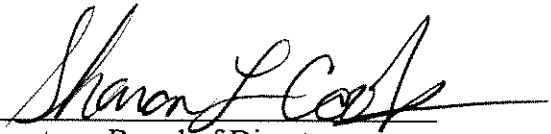
increase but not until the Rate Order is amended to reflect the additional cost for security patrols so as not to have back to back amendments to the Rate Order.

11. WATER WELL NO. 6 and Groundwater Transfer Agreement. Ms. Corprew next updated the Board on the status of communications with North Harris County Regional Water Authority ("NHCRWA") regarding the District's agreement to purchase water from them. Ms. Corprew reported that NHCRWA has now committed to sell the District minimum capacity of 300,000 gallon per day ("gpd") of water supply with a maximum capacity of 576,000 gpd. Ms. Corprew went on to explain the NHCRWA has also requested proof as to why the District needs to drill Water Well No. 6. Mr. Stendahl then distributed a Water Demand/Supply Assessment spreadsheet showing the peak daily demand with the District's current four (4) operational water wells, with the addition of Water Well No. 6 and, then with the purchase of water from NHCRWA, a copy of which is attached hereto as Exhibit "I". Mr. Stendahl stated that he would submit the information to Tom Rolen with the NHCRWA. Ms. Corprew then presented the Groundwater Transfer Agreement with the NHCRWA for the Boards approval, a copy of which is attached hereto as Exhibit "J". Upon motion by Director Bishop, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Groundwater Transfer Agreement and authorized execution of same.
12. EXECUTIVE SESSION. At 11:05 p.m., the President called an Executive Session pursuant to sections 551.071 and 551.072 of the Texas Government Code, of the Open Meetings Act, to discuss matters within attorney-client privilege, including real estate matters and contract negotiations. Attendees for the executive session were the Board, the Engineer, Bookkeeper and Attorneys.
13. RECONVENE IN OPEN SESSION. At 11:25 p.m., the President declared the Executive Session over and reconvened the meeting in open session. No action was taken.
14. District WEBSITE. Director Cook reported that the District's website is running fine.
15. House Bill 3693. Discussion of HB 3693 was deferred to the October 4, 2007 meeting.
16. DISTRICT REPAIRS. Next, Director Lackey reported that Water Well No. 4 had ceased to work Wednesday and that the well motor needs to be pulled. Mr. Stendahl recommended engaging Layne Texas for assessing the needed repairs and that such repairs be undertaken as an emergency repair. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board authorized Mr. Stendahl to engage Layne Texas to determine the problem and to make the necessary repair and to authorize Ms. Corprew to request authorization from the Texas Commission on Environment Quality for the emergency repair.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, the President adjourned the meeting at 11:35 p.m.

Passed and approved this 4th day of October, 2007.



  
Secretary, Board of Directors

- A - Annual Audit Report for FYE May 31, 2007
- B - Engagement Letter re Series 2007 Bonds Reimbursement Audit
- C - Tax Assessor/Collector's Report
- D - Memorandum re HB621
- E - Resolution Regarding Goods in Transit
- F - Bookkeeper's Report
- G - Commercial Properties Spreadsheet
- H - WCA Rate Increase Letter
- I - Water Demand/Supply Assessment
- J - Groundwater Transfer Agreement