

# HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

## MINUTES OF BOARD OF DIRECTORS MEETING

September 6, 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, September 6, 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: Mike Plunkett of Eagle Water Management, Inc. ("Operator"); Mark T. Stendahl, P.E., consulting engineer for Pate Engineers, Inc. ("Engineer"); Andrew Dunn, resident of the District; Tony Padua of Willow Falls, Ltd. ("Willow Falls"); Gina Barnes of KB Home ("Northern Point"); Cary Dunham of Dungle LLC ("Cobblestone"); and Andrew P. Johnson III, 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 and declared it open for such business as may come before it at 6:46 p.m. Director Bishop asked that the Board convene in Executive Session to discuss real estate matters prior to the anticipated arrival of the Solomon Road and Solomon Road Extension residents.

1. EXECUTIVE SESSION. The President called an Executive Session at 6:47 p.m. pursuant to 551.072 to seek advice from counsel regarding real estate negotiations with respect to Water Well No. 6 site and raw waterline easement acquisition. The Board, Engineer and Attorneys adjourned to a private conference room for the discussion. At 7:03 p.m., the President declared the Executive Session over and the Board, Engineer and Attorneys joined the remaining meeting attendees whereupon the President reconvened the meeting in open session.

Residents of Solomon Road and Solomon Road Extension who arrived at the meeting while the Board was in Executive Session were as follows: Arthurine Garner Alfred, Sheila Garner Wilson, Kenneth Winkler, Pat PeLoquin, Freddie Solomon, Quincy Allen, Anthony Ford, William and Gale Garner, John Ellerbe, David Solomon, James

Solomon, Latrell Shannon, William Garner, Leo Alfred, Lucille Garner, Greg Solomon, Maxine Lott, Carla Beal, Kendrea Beal, Annette Parker, Rosa Solomon, Ervin and Pamela Solomon, A. Wilson and James C. Breedlove.

2. PUBLIC COMMENT. The President first thanked the residents of Solomon Road and Solomon Road Extension for coming out to discuss their concerns with the District's plan to drill a water well on the Jennings tract located along Solomon Road Extension and to acquire the easements needed along Solomon Road and Solomon Road Extension to run a raw waterline back to the District's Water Plant No. 2. Director Lackey then opened the floor for comments and questions from such persons. Mr. Quincy Allen first read a statement regarding the manner in which the District went about notifying them of its plans for the Jennings tract. Mr. Allen went on to state that the District had trespassed on a private road when various persons traversed Solomon Road Extension. Ms. Sheila Wilson next addressed the Board followed by Ms. Arthurine Alfred, Mr. Ken Winkler, Ms. Pat Peloquin and Mr. Freddy Solomon.

Director Lackey then introduced himself and the rest of the members of the Board and explained the functions of the District, the purpose of the new groundwater well and the process the District went through to locate a site.

Mr. Johnson next introduced himself and stated that he had attempted to write down each of their concerns and would address each one with the assistance of the District's Engineer. First, Mr. Johnson explained that the District has every right to travel on Solomon Road Extension and to survey the Jennings tract because Solomon Road Extension is a public road according to Harris County records. Mr. Johnson then introduced Mr. Stendahl and asked him to explain why the Jennings tract is more suitable than other pieces of land for sale in the area and the importance of the District being allowed to complete the survey. Mr. Johnson stated that without a completed survey, the District has no basis to make the residents an offer for the easements required for the waterline. Mr. Johnson then continued to respond to each of the questions raised by the residents of Solomon Road and Solomon Road Extension. In conclusion, Mr. Johnson suggested that the group select one spokesperson or a committee to represent the interest of all of the residents for future communications. He also assured the residents that the District would respond in writing to their concerns and attempt to give more notice before coming upon their property. The residents departed the meeting at 8:46 p.m.

3. MINUTES. The Board next considered approval of the minutes of the August 2, 7, and 16, 2007 Board of Directors' meetings. Upon motion by Director Cook, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the minutes as presented.

4. OPERATOR'S REPORT. Mr. Plunkett then presented and reviewed with the Board, the Operator's Report, a copy of which is attached hereto as Exhibit "A".

- a. Water Accountability. Mr. Plunkett reported that the bill vs. produced ratio for the month of August was 96.17%.

- b. Repairs. Mr. Plunkett further reported that the cleaning and televising of the back side of the Three Lakes subdivision will probably start at the end of the month.
- c. Rate Order Amendment. The Board next considered the proposed Rate Order amendment to include a special commercial class for security and credit card and electronic payment options. Mr. Johnson addressed the Board regarding the special commercial class rate structure and directed the Board's attention to the Commercial Properties Spreadsheet, a copy of which is attached hereto as Exhibit "B". Discussion ensued regarding a distinguishing the high-traffic businesses and whether a class separation along those lines would fairly distribute the financial burden of the additional security patrols. No action was taken by the Board at this time.

Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board approved the Operator's Report as presented and authorized termination of 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 "C".

- a. Water Quality Monitoring. Mr. Stendahl first reviewed results of the water quality monitoring for Water Well Nos. 2, 3, 4 and 5 reporting that all were clear of contaminants.
- b. Capital Improvements Program. Mr. Stendahl then reviewed the Capital Improvement Report attached to the Engineer's Report stating that this report has been updated to keep the Board informed of on-going construction, current utility design work, and improvements needed in the foreseeable future.
- c. Wastewater Treatment Plant ("WWTP") – Phase 4 Expansion. Mr. Stendahl reported that the completion date for the WWTP extension has been revised to reflect October 31, 2008 as the completion date. The contractor, N&S, has begun the submittal of shop drawings, a cost break-down and project schedule. Mr. Stendahl further reported that demolition of the old WWTP is underway, then presented Pay Estimate No. 1 in the amount of \$76,083.30 and recommended payment.
- d. 55-Acre Gallegos Tract. Mr. Stendahl next reported that Woodmere Development Company, Ltd. is in the process of

determining the feasibility of developing the 55-acre Gallegos tract with approximately 200 single-family residential lots.

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 as presented and approved Pay Estimate No. 1 from N&S in the amount of \$76,083.30 with respect to the WWTP expansion project.

6. DEVELOPERS REPORTS. The President called for the Developers Reports with respect to the status of various developments within the District.

- a. Northern Point. Ms. Barnes presented and reviewed with the Board, a written Developers Report from KB Homes, a copy of which is attached hereto as Exhibit "D", regarding the status of construction in Northern Point, Sections 1 through 5.
- b. Willow Falls. Mr. Padua stated that everything is going along as scheduled with the Willow Falls development.
- c. Cobblestone. Mr. Dunham reported that Cobblestone is proceeding with their discussions with a developer of an assisted living/retirement community.

7. ATTORNEY'S REPORT. Director Lackey then recognized the Attorneys.

- a. Bond Issue No. 9. Mr. Johnson distributed a draft closing schedule of the Series 2007 Bond issue prepared by Ms. Henderson and stated that the schedule is a result of a conference call between himself, Ms. Corprew, Ms. Henderson and Mr. Rathmann of Rathmann & Associates, the District's Financial Advisor. Mr. Johnson also distributed an article from The Bond Buyer regarding one of the rating agencies, Fitch, downgrading the credit rating of Radian Asset Assurance, the District's bond insurer. Mr. Johnson pointed out that so far Standard & Poor's and Moody's Investors Service, the other two rating agencies, have not followed Fitch's lead and further discussed the implications such action might have on the District's upcoming bond issue.
- b. Resolution Requesting Estimated Appraised Value. Ms. Corprew next distributed a Resolution Requesting Estimated Appraised Value as of September 1, 2007 and explained that Mr. Rathmann had requested that the Board request the value to have the most up-to-date numbers for the bond issue. Upon motion by Director Cook, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board adopted the Resolution as

presented, a copy of which is attached hereto as Exhibit "E". [Ms. Barnes, Mr. Padua and Mr. Dunham departed the meeting at this time.]

- c. Water Well No. 6 site. This item was discussed in Executive Session and during the public comment section of the meeting.
- d. Water Line Easements. Ms. Corprew next updated the Board on the status of the acquisition of the easements for the 12" water line along State Highway 249, the Cobblestone development tract and the raw water transmission line from Water Well No. 6 to Water Plant No. 2. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board authorized the Attorney to proceed with obtaining appraisals of the raw waterline easements for Water Well No. 6.

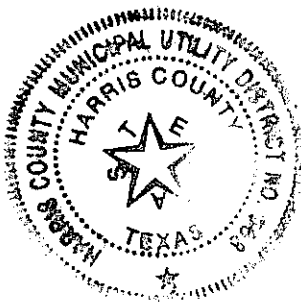
Ms. Corprew next reported that Santikos Northpointe Realty, Ltd. has executed the 12" water line easement along State Highway 249 and presented it to the Board for acceptance and execution. Upon motion by Director Bishop, seconded by Director Cook, after discussion and with all Directors present voting aye, the Board accepted the Santikos Easement and authorized execution and recording of same.

- e. Potential Litigation Regarding Damages to Water Well No. 1. Ms. Corprew reported that the attorney she spoke with a month ago has changed firms and that he said he would provide the requested information regarding this matter by the next meeting.

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

There being no further business to come before the Board, upon motion Director Cook, the President adjourned the meeting at 10:53 p.m.

Passed and approved this 20<sup>th</sup> day of September, 2007.



  
Secretary, Board of Directors

**EXHIBITS:**

A -- Operator's Report

B -- Commercial Properties Spreadsheet

C -- Engineer's Report

D -- Developer's Report

E -- Resolution Requesting Estimate of Appraised Value