

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

MINUTES OF BOARD OF DIRECTORS MEETING

August 7, 2007

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 368 (the "District") met in special session, open to the public at 7:00 p.m., at Graceview Baptist Church, 22510 Tomball Parkway, Tomball, Texas, on Tuesday, August 7, 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: Mark T. Stendahl, P.E., consulting engineer ("Engineer") and representative of Pate Engineers, Inc. ("Pate"); Wendee Gamble of Municipal Accounts & Consulting, L.P. ("Bookkeeper"); R. Craig Rathmann of Rathmann & Associates ("Financial Advisor"); and Andrew P. Johnson, III and Kaye C. Corprew of Johnson Radcliffe Petrov & Bobbitt PLLC ("Attorney").

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 7:30 p.m.

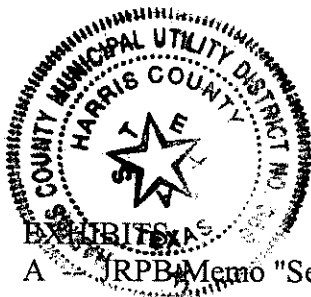
1. SECURITY FINANCING ALTERNATIVES. The President first recognized Mr. Johnson and Ms. Corprew, who distributed and reviewed with the Board a memo dated of even date herewith regarding Security Financing Alternatives which they had written setting forth the legal guidelines for establishment of different rate classes. A copy of the memo is attached hereto as Exhibit "A". Discussion ensued regarding ways to structure rate classifications to generate additional security funding in order to pay for the three (3) additional deputies which the Board agreed to add to the District's Interlocal Agreement for Law Enforcement Services with Harris County (the "Interlocal Agreement") at the July 26, 2007 meeting. Mr. Johnson explained that since there is a nexus or connection between the additional costs for the deputies and particular customers of the District, the law, including both common law and Texas statutory law, allows the District to establish different rates for the different classes of customers. The Board discussed how to structure the classes, and ended the discussion by directing the Attorney and Financial Advisor to gather additional information regarding a rate classification for security funding and report back to the Board at its September 6, 2007 Board meeting.

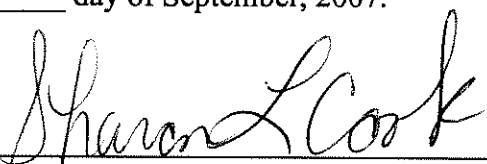
2. LONG-RANGE PLANS FOR DISTRICT. The Board next discussed the long-range plans for the District. Director Lackey reported on various conversations with different developers of property outside the boundaries of the District and their interest in possible service from and annexation to the District. Director Lackey stated that such developers are still in the planning stages; however, the Board needs to start considering whether it desires to provide service to and annexation of additional land and how the District might serve them. The Board instructed Ms. Corprew to include a discussion item regarding this matter on each District agenda for meetings during the ensuing months in order to discuss the long-range plans.

3. WATER WELL NO. 6 SITE. Ms. Corprew then reported that Mr. and Mrs. Jennings are expected to execute the Unimproved Property Sales Contract for the acquisition of a portion of their property outside the District boundaries for use as a site for Water Well No. 6 and the Option Agreement to purchase the remainder of the tract, approved by the Board at the August 2, 2007 Board meeting, tomorrow, Wednesday, August 8, 2007. Ms. Corprew then requested that the Board approve two checks to Mr. and Mrs. Jennings, one for \$1,000 as payment for the earnest money and one for \$5,000 for the option on the remaining land. Ms. Corprew explained that the \$1,000 would be applied to the purchase price and that the \$5,000 will be kept by the Jennings whether or not the District exercises its option. Upon motion by Director Dunn, seconded by Director Ward, after discussion and with all Directors present voting aye, the Board approved the \$5,000.00 payment to Mr. and Mrs. Jennings for the Option Agreement and the \$1,000.00 earnest money payment for purchase of the Water Well No. 6 site.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, upon motion by Director Cook, the President adjourned the meeting at 9:15 p.m.

PASSED AND APPROVED this 6th day of September, 2007.




Secretary, Board of Directors

A JRPB Memo "Security Financing Alternatives"