

**MINUTES OF SPECIAL MEETING
OF
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365**

August 23, 2007

The Board of Directors of Harris County Municipal Utility District No. 365 met in special session, open to the public, on the 23rd day of August, 2007, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board, to-wit:

Joe Myers	President
Alan Silverman	Vice President
Claudine Pacioni	Assistant Vice President
Kevin Gilligan	Secretary
Megan Bradley	Assistant Secretary

and all of the above were present except Director Gilligan, thus constituting a quorum.

Also present at the meeting were Brian Bare of ECO Resources, Inc.; Daniel Maxian and Kenneth Martinec of Jones & Carter, Inc. ("J&C"); Shirley McLennan of McLennan & Associates; Michael O'Keefe of Bob Leared Interests, Inc.; Bill Odle of TBG Partners ("TBG"); Rebecca Marcucci of Legacy Energy Management ("Legacy"); Sherri Greenwood of BKD, LLP ("BKD"); and Susan Edwards, Cathy Campbell and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the July 19, 2007, meeting. Upon a motion made by Director Silverman and seconded by Director Pacioni, the Board voted unanimously to approve the July 19, 2007, meeting minutes as revised with comments from Mr. Maxian.

ENGAGE AUDITOR

Ms. Greenwood reviewed a proposal for auditing services from BKD,LLP. After discussion, Director Silverman moved to approve the proposal from BKD, LLP. The motion was seconded by Director Pacioni, and passed unanimously. A copy of the proposal is attached to these minutes.

Ms. Greenwood also reviewed information on the new internal controls reporting required by Statement of Accounting Standards No. 112 ("SAS 112"). She reported that SAS 112 requires the auditor to issue a management letter to identify

control deficiencies in financial reporting. Ms. Greenwood reported that the District does not have an employee qualified to perform certain tasks and engagement of another auditor, in addition to BKD, to prepare the financial statements would be required to eliminate the conditions that cause the need for a management letter reporting control deficiencies. She further reported that BKD is not recommending any changes to the District's current practice at this time.

TAX REPORT

Mr. O'Keefe distributed the District's monthly tax report, reflecting that 98.2% of the 2006 taxes had been collected as of the end of July. After discussion, Director Silverman moved that the Board approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Bradley seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached to these minutes.

Mr. O'Keefe also presented to and reviewed with the Board the delinquent tax report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., a copy of which is attached.

CONDUCT ANNUAL REVIEW OF INVESTMENT POLICY AND LIST OF QUALIFIED BROKER/DEALERS AND AUTHORIZE APPROPRIATE ACTION

The Board reviewed the District's Investment Policy and list of qualified broker/dealers to determine if any amendments were necessary. After discussion, the Board determined to make no amendments at this time. Upon a motion made by Director Silverman, seconded by Director Pacioni, the Board voted unanimously to adopt a Resolution Regarding Annual Review of Investment Policy and not to make any changes to the list of qualified broker/dealers. A copy of the Resolution is attached to these minutes.

OPERATIONS REPORT

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached to these minutes. He reviewed routine maintenance and repairs. Upon a motion made by Director Pacioni and seconded by Director Bradley, the Board voted unanimously to approve the operator's report. A copy of the operator's report is attached to these minutes.

HEARING ON TERMINATION OF WATER SERVICE

The Board conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the attached termination list were mailed written notice prior to this meeting in accordance with the Rate Order, notifying them of the opportunity to appear before the Board of Directors to explain, contest, or

correct the utility service bill and to show reason why utility service should not be terminated for reason of nonpayment. Director Pacioni moved that, since the customers on the attached list were neither present at the meeting nor had presented any statement on the matter, utility service should be terminated in accordance with procedures set forth in the Rate Order. Director Bradley seconded the motion, which carried unanimously. A copy of the termination list is attached to these minutes.

UPDATE ON REQUEST FROM HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 113

Mr. Maxian reported that providing a long term water supply to Harris County Water Control and Improvement District No. 113 ("No. 113") from the joint water facilities in the event of failure of one of No. 113's wells is feasible only with the construction of an additional ground storage tank to serve the 500 connections requested. Mr. Maxian noted that J&C is still finalizing the written report for presentation to the District and to Harris County Municipal Utility District No. 364 ("No. 364").

ENGINEER'S REPORT

Mr. Maxian reviewed a written engineer's report and updated the Board on the status of various projects in the District as follows in these minutes. A copy of the engineer's report is attached to these minutes.

STORMWATER CHANNEL FACILITIES

The Board discussed the previously approved proposal from Seaback Maintenance for additional mowing on the tops and sides of the regional detention basin on a monthly basis.

SEWAGE TREATMENT PLANT ACCESS ROAD

Mr. Maxian reported that preliminary design of the access road is complete, the proposed location of the Jarvis Road expansion has been incorporated into the plans, and the plans will be submitted to Harris County for review this week.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

Ms. Edwards reported to the Board that an appraisal for the 3 easements necessary for relocation of the water lines along Spring Cypress Road has been received and that the value of the easements collectively is \$44,842. Following discussion, Director Bradley moved to authorize ABHR to contact the owners of the easement properties and extend an offer to purchase the easements as appraised. The motion was seconded Director Silverman and passed unanimously.

DETENTION BASIN EROSION REPAIR

Mr. Maxian reported that the contractor will mobilize to the site on August 20th to complete the repair to the detention basin.

WASTEWATER DISCHARGE PERMIT

Mr. Maxian reported that the permit renewal application is pending with the Texas Commission on Environmental Quality.

PILOT CHANNEL DE-SILTING

Mr. Maxian reported that the contractor will mobilize to the site on August 20th to complete de-silting of the pilot channel.

THE PARK AT ARBORDALE

Mr. Maxian next reported on construction of water, sewer, and drainage facilities to serve the Park at Arbordale. Mr. Maxian discussed the maintenance of the drainage outfall facilities. Mr. Maxian said that J&C evaluated a debris collection structure south of the regional detention basin before the outfall to Cypress Creek and a trash trooper facility at the Park at Arbordale prior to the outfall to the Coles Crossing drainage channel. Mr. Maxian added that a stormwater quality feature by the detention pond would be more visible but would also require installation of concrete slope paving, modification of the existing box culvert, and installation of an all weather access road of crushed granite or concrete to provide access after a major rain event. Mr. Maxian said J&C also obtained estimates of the cost to clean the trash trooper if it were installed by the Park at Arbordale. Mr. Maxian said ECO would charge \$1,500 per cleaning with a tractor truck and Stormwater Solutions would charge \$5,800 per year for checking the troopers twice a month, cleaning it as needed, and handling the annual stormwater permit renewal. After discussion, the Board concurred that the trash troopers at the Park at Arbordale would be more beneficial for the District.

Mr. Maxian also requested authorization to advertise for the construction of water, sewer and drainage facilities to serve The Park at Arbordale. Upon a motion by Director Bradley and a second by Director Pacioni, the Board voted unanimously to authorize the District engineer to advertise for bids for the construction of water, sewer and drainage facilities to serve The Park at Arbordale.

WASTEWATER TREATMENT PLANT WATERPROOFING/SEALING

Mr. Maxian reported that small leaks are occurring on the walls of the aeration basin and the digester at the wastewater treatment plant which appear as discolored areas. Mr. Maxian said J&C inspected the leaks and got quotes for a contractor to drill

the leaks, inject epoxy to seal the basins, and then restore the appearance of the surface, all without emptying the tanks. Mr. Maxian said the low quote was \$1,632.

UTILITY COMMITMENT REQUESTS

Mr. Maxian presented to and reviewed with the Board a request received from Momentum Engineering on behalf of Satya, Inc., for a capacity reservation to serve a 12,820 square foot retail shopping center and a 7,000 square foot restaurant. Mr. Maxian stated that the District has sufficient unused water and wastewater capacity to provide 14,130 gallons per day for the development, as requested. Following discussion, Director Silverman moved to approved issuance of a utility commitment letter to Satya, Inc., as requested. Director Pacioni seconded the motion, which passed unanimously. A copy of the written request is attached.

APPROVE DEVELOPER FINANCING AND REIMBURSEMENT AGREEMENT WITH CANYONLANDS CORPORATION

The Board took no action on this agenda item.

TBG REPORT

Mr. Odle updated the Board on the status of various projects in the District as follows in these minutes.

JOGGING TRAIL IMPROVEMENTS

Mr. Odle reported that the expected delivery date of the bridge is the end of September and that the contractor will be on site installing the abutments on September 15th. Mr. Maxian presented to the Board a J&C proposal for inspection of the bridge work. Mr. Martinec reminded the Board that the proposal for inspection had been budgeted into the contract price. Mr. Odle recommended to the Board that J&C submit the proposal to TBG since the item is within TBG's professional services budget. The Board concurred to defer action on this agenda item.

FENCING PROJECT AT DETENTION BASIN

Mr. Odle stated that the District's contractor cannot begin work on the fence installation due to the Harris County contractor's storage of equipment and materials on the site. Mr. Maxian said that he had contacted Harris County regarding the equipment and material, but neither the equipment nor materials had been moved to date. Director Myers suggested clearing the area with a bulldozer. Following discussion, Director Silverman moved to approve a change order to the District's contract for a bulldozer to be brought to the site for removal of the equipment and materials in an amount not to exceed \$3,000. Director Pacioni seconded the motion which passed unanimously.

Mr. Odle also presented to and reviewed with the Board Pay Estimate No. 1 to American Wall in the amount of \$5,172.12 and recommended that the Board authorize payment to American Wall. Upon a motion by Director Silverman and seconded by Director Pacioni, the Board voted unanimously to approve payment of Pay Estimate No. 1.

HARRIS COUNTY PRECINCT 3 LANDSCAPING AND TRAIL PROJECT

Directors Bradley and Silverman requested that the correspondence to Harris County be sent only on behalf of the District rather than as a joint letter from the District and No. 364. Director Bradley requested that her comments be incorporated before sending the letter.

MURR INCORPORATED REPORT ON NATURE TRAIL AMENITIES

Director Myers commented that the drip system had been installed.

ADDITIONAL SECURITY OFFICER WITHIN THE DISTRICT

The Board took no action on this agenda item.

VANDALISM WITHIN THE DISTRICT

The Board took no action on this agenda item.

RENEW DISTRICT INSURANCE POLICIES

The Board reviewed insurance proposals from Anco-McDonald Insurance, a copy of which is attached. After discussion, Director Pacioni moved to accept the proposal from Anco-McDonald Insurance. The motion was seconded by Director Silverman and passed unanimously.

RETAIL ENERGY AGREEMENT

Ms. Marcucci discussed with the Board the District's current retail energy agreements and reviewed a summary of three retail energy proposals, a copy of which is attached. Following discussion and review of the proposals, Director Silverman moved to delegate authority to Director Myers to negotiate and execute on behalf of the District a 3½ year term contract with the lowest cost provider based on the daily rate. Director Bradley seconded the motion which passed unanimously.

RECORDING AND REPORTING OF ELECTRICITY, WATER AND NATURAL GAS CONSUMPTION

Ms. Edwards reviewed an ABHR memorandum outlining the requirements regarding the recording and reporting of electricity, water, and natural gas

gas consumption that the District is responsible to pay, including the aggregate costs, on the monthly bookkeeping reports and that the information be included in the District's audit report. She informed the Board that the information must also be reported on the District's website. The Board concurred with ABHR's recommendations as set forth in the memorandum. A copy of the memorandum regarding the recording and reporting of electricity, water, and natural gas consumption is attached as an exhibit to these minutes.

JOINT FACILITIES ADVISORY COUNCIL CONTRACT

Director Myers requested that the agenda items for the Joint Facilities Advisory Council meeting on October 11 be limited to shared water, sewer and drainage facilities pursuant to the Joint Facilities Agreement provisions.

EXECUTIVE SESSION REGARDING PURCHASE OF REAL PROPERTY

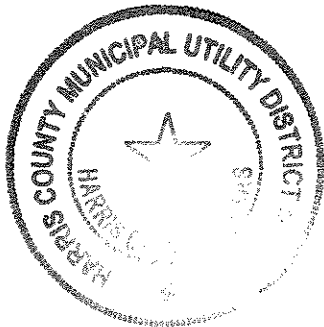
The Board determined that it was unnecessary at this time to convene in Executive Session pursuant to Chapter 551.072, Texas Government Code, to deliberate the purchase, exchange, lease, or value of real property.

OTHER MATTERS

Director Myers asked if the Board wanted to continue to pursue the water reuse system. Director Silverman recommended that the Board discontinue discussion regarding the proposed water reuse system for the present.

There being no further business to come before the Board, the meeting was adjourned.

(SEAL)




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

proposal for auditing services 1
tax assessor/collector’s report and requests for waiver of penalty and interest..... 2
delinquent tax report prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., 2
Resolution Regarding Annual Review of Investment Policy 2
written operations report..... 2
operator’s report..... 2
termination list 3
engineer’s report 3
request for a capacity reservation..... 5
proposals from Anco-Wessendorff Insurance 6
summary of three retail energy proposals 6
memorandum regarding the recording and reporting of electricity, water, and natural
gas consumption 7