

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

December 20, 2007

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 20th day of December, 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.

Also present at the meeting were Brian Bare and Jeff Haley of SWWC Services, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Jon Wallace of TBG Partners ("TBG"); Kenneth Martinec and Cristina M. Pena of Jones & Carter, Inc. ("J&C"); Shirley McLennan of McLennan & Associates; Greg Coleman of Beazer Homes; Sherri Greenwood of BKD, Inc.; Michael Murr of Murr, Inc.; Merrie Talley-Pope of Talley-Pope & Associates; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the November 15, 2007, regular meeting and the November 28, 2008, special meeting. Upon a motion made by Director Pacioni and seconded by Director Silverman, the Board voted unanimously to approve the minutes of the November 15, 2007, regular meeting as corrected and the November 28, 2008, special meeting as presented.

AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2007

Ms. Greenwood reviewed a draft audit of the District's financial information for the fiscal year ending August 31, 2007, a copy of which 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.

Upon a motion made by Director Gilligan, seconded by Director Silverman, the Board voted unanimously to approve the audit and management letter , subject to final review and comments.

TAX REPORT

Mr. Keefe distributed the District's monthly tax report, reflecting that less than 4% of the 2007 taxes had been collected as of the end of November. 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 Pacioni seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached to these minutes.

Mr. Keefe asked if the Board would like a 2008 aerial photograph of the District. Following discussion, the Board concurred not to obtain a new aerial photograph of the District.

BOOKKEEPER'S REPORT

Ms. McLennan presented the bookkeeper's report, reviewed the investment report and budget-to-actual comparison, and submitted the bills and checks drawn on the District's accounts for the Board's review. She reviewed checks written since the report was prepared including handwritten check number 1501 in the amount of \$397.70 to Courthouse Specialists and number 1502 in the amount of \$332.31 to Director Claudine Pacioni. Upon a motion made by Director Pacioni and seconded by Director Bradley, the Board voted unanimously to approve the bookkeeper's report and the checks presented. A copy of the bookkeeper's report is attached as an exhibit 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, including routine replacement of 50 meters within the District. Mr. Bare presented to the Board a request from a District resident at 16526 Westwego Trail requesting replacement of a hot water heater. Mr. Bare also provided a summary of the testing results on wastewater samples taken at the Dry Cleaner Super Center showing no recent quality violations. Upon a motion made by Director Bradley and seconded by Director Gilligan, the Board voted unanimously to approve the operator's report. A copy of the operator's report and wastewater testing results 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 Bradley 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 Gilligan 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 ("WCID 113")

Mr. Martinec distributed a preliminary engineering water service analysis, a copy of which is attached, reflecting that at full development of the Coles Crossing community, the joint water facilities would have unused capacity available to serve approximately 140 equivalent single family connections. He said that the District and Harris County Municipal Utility District No. 364 ("No. 364") would be able to serve WCID 113 with the addition of a ground storage tank and upgrades to 2 booster pumps. The Board concurred to defer action on WCID 113's request pending the opportunity to discuss the analysis with No. 364 at the joint meeting in January.

ENGINEER'S REPORT

Mr. Martinec 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

Mr. Martinec reported on the status of the drainage channel mowing and maintenance. Mr. Martinec presented an invoice in the amount of \$260 for mowing and handwork of Dry Creek detention basin. Following discussion and upon a motion by Director Silverman and seconded by Director Bradley, the Board voted unanimously to approve payment to Seaback Maintenance in the amount of \$260.

SEWAGE TREATMENT PLANT DRIVEWAY

Mr. Martinec requested authorization to advertise for the construction of the concrete access drive at the wastewater treatment plant. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize the District engineer to advertise for bids for the construction of a concrete access drive at the wastewater treatment plant. Director Myers requested that J&C provide the

Board with a copy of the plans for review at the January, 2008 meeting. The Board concurred to defer this matter until the joint meeting with No. 364.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

Mr. Martinec said that J&C is working on plan revisions to accommodate changes by Harris County to the road alignment and will present the revised plans at the Board's January, 2008 meeting. Accordingly, no action was taken by the Board.

DETENTION BASIN EROSION REPAIR

Mr. Martinec presented to and reviewed with the Board a proposal from Erosion Prevention Products to install an additional 9,000 square feet of Channellock at a cost of \$32,000. Mr. Martinec also recommended that the Board authorize J&C to solicit contractors for excavation of the soil to a depth of 18 inches and to replace the soil with fat clay. Directors Myers, Silverman, and Bradley stated they felt that the pilot channel alignment needs to be relocated to address the chronic erosion issues instead of continuing with spot repairs of eroded areas. Director Gilligan said that the soil was problematic in the area because of the velocity of water moving through the area. The Board took no action on this agenda item and noted that a channel realignment may be included in a future park project.

WASTEWATER TREATMENT PLANT WATERPROOFING/SEALING

Mr. Martinec reported he met with Directors Myers and Gilligan at the wastewater treatment plant site to discuss the leaks. The group concurred that Epoxy Design Systems should repair the leaks identified and to be repaired under its original contract with the Board, but that the District should not repair any additional leaks at this time. The Board concurred that J&C should continue to monitor the leaks in the system and report back to the Board regarding same.

WASTEWATER DISCHARGE PERMIT

Mr. Martinec reported that the permit renewal application is pending with the Texas Commission on Environmental Quality ("TCEQ") and that J&C has not yet received the draft. He said that TCEQ requested additional samples for cadmium and copper which have been provided. No Board action was taken on this agenda item.

PILOT CHANNEL DE-SILTING

Mr. Martinec said that the contractor is in the process of restoring the disturbed turf. No Board action was required.

THE PARK AT ARBORDALE

Mr. Martinec next reported regarding the construction of facilities to serve The Park at Arbordale. Mr. Martinec reported that the clearing and grubbing contractor had mistakenly cleared a 10-foot strip along Spring-Cypress between the Park at Arbordale and Axton Falls. Mr. Martinec said that he had met with Directors Myers, the contractor and the Homeowners' Association ("HOA") President to try and come up with a satisfactory solution. Mr. Martinec suggested that the cleared area may be used as a waterline easement. The Board discussed with J&C how to best install the waterline in the cleared area and save the remaining vegetation. Mr. Martinec said that J&C estimates a cost of \$15,000 to re-vegetate the area. He said that work fences would be installed around non-construction areas to protect the trees. Ms. Edwards said she recommended the HOA file a claim for damages against the contractor and his bonding company and notify the District so the claim is documented and the District may withhold payment to the contractor pending resolution.

On the construction contract for water, sewer, and drainage facilities, Mr. Martinec presented change order no. 2 in the amount of \$11,366 for the removal of 8 trees along Spring Cypress. Mr. Coleman explained that the change order is based on alternate bid amounts and the costs were included in his budget for the project. Director Myers requested that J&C bring a full set of the plans to the January, 2008, Board meeting. Mr. Martinec presented pay estimate no. 2 from C.E. Barker Construction in the amount of \$791,285.72 for water, sewer and drainage facilities to serve The Park at Arbordale and recommended that the Board approve the pay application.

Ms. Pena reported that the outfall structure at the Park at Arbordale drains into a portion of the drainage channel that is not a joint facility. Ms. Pena recommended that the Coles Crossing Joint Facilities Agreement be amended.

After discussion, Director Silverman moved to approve pay estimate no. 2 from C.E. Barker Construction in the amount of \$791,285.72 for water, sewer and drainage facilities to serve The Park at Arbordale and to defer action regarding change order no. 2 from C.E. Barker Construction in the amount of \$11,366 to remove 8 trees along Spring-Cypress until the Board has an opportunity to review the plans. Director Bradley seconded the motion which carried unanimously.

CANYONLANDS COMMERCIAL PROPERTY

Mr. Martinec reported that J&C has provided ABHR with the 14 legal descriptions for the sanitary sewer easements running through the commercial reserves on the Canyonlands tract. Ms. Edwards said that ABHR would prepare the conveyance documents for signature by the landowners. Mr. Martinec also requested authorization to advertise for the construction of the sanitary sewer line to serve the Canyonlands tract. The Board took no action on this agenda item.

DEVELOPER'S REPORT

Mr. Coleman reported on the status of development activities within The Park at Arbordale.

TBG REPORT

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

JOGGING TRAIL IMPROVEMENTS

Mr. Wallace reported that the contractor will be mobilizing into the area on Wednesday to complete the installation of the bridge and abutments. Mr. Wallace discussed paving options with the Board. He said that installation should be complete in about 3 weeks.

FENCING PROJECT AT DETENTION BASIN

The Board discussed coordination of installation of the fence at the corner of Jarvis Road and Barker Cypress Road. Mr. Wallace reported the contractor would mobilize again after the first of the year to complete the work.

HARRIS COUNTY PRECINCT 3 LANDSCAPING AND TRAIL PROJECT

The Board took no action on this agenda item.

MURR INCORPORATED REPORT ON NATURE TRAIL AMENITIES

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

TRAIL MAINTENANCE

Mr. Murr discussed with the Board a proposal for maintenance of the trails. The Board concurred that the proposal was higher than expected and requested that Mr. Murr scale back the maintenance plan and bring another proposal to the Board at the January meeting.

PARK GRANT APPLICATION AND DETENTION BASIN PARK DESIGN

Mr. Murr and Ms. Talley-Pope provided the Board with a written report and deferred comment until a proposed special meeting on this project.

ORDER ADDING LAND ("ORDER")

The Board considered adopting an Order to annex the 46.48 acre tract of land into the District. Upon a motion made by Director Pacioni and seconded by Director Gilligan, the Board voted unanimously to adopt the Order.

AMENDMENT TO INFORMATION FORM ("AMENDMENT")

The Board considered authorizing execution of an Amendment reflecting the revised District boundaries. After review, Director Pacioni moved that the Board authorize execution of the Amendment to Information Form to be filed with Harris County Deed Records and the Texas Commission on Environmental Quality. Director Gilligan seconded the motion, which carried unanimously.

VOTING RIGHTS ACT SUBMISSIONS LETTER ("SUBMISSIONS LETTER")

The Board considered authorizing execution of a Submissions Letter to the U.S. Department of Justice requesting clearance to hold future elections in light of the annexation of land to the District. Upon a motion made by Director Pacioni and seconded by Director Gilligan, the Board voted unanimously to authorize execution of the Submissions Letter.

CONTRACT WITH HARRIS COUNTY SHERIFF'S OFFICE FOR SECURITY SERVICES

Ms. Edwards reported the contracts have not yet been received for execution, but that the additional patrol should begin January 5, 2008. The Board took no action on this agenda item.

PURCHASE AND DISTRIBUTION OF HOUSEHOLD RECYCLING BINS

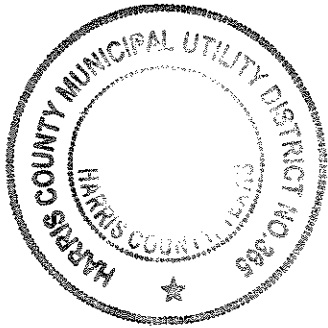
The Board discussed purchasing recycling bins at \$8.00 per bin for each household within the District. Following discussion, Director Bradley moved to purchase recycling bins at \$8.00 per bin per household subject to an agreement with the Coles Crossing Homeowners' Association to provide pick up of the bins. Director Silverman seconded the motion. The motion passed with Directors Bradley, Gilligan and Silverman voting in favor of the motion and Directors Myers and Pacioni voting against.

SUCH OTHER MATTERS

The Board discussed and concurred to issue a request for engineering services qualifications to Nancy Blackwell with AEI Engineering Services and Chris Burke with Sander Engineering.

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

(SEAL)



A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end.

Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

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