

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

January 17, 2008

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 17th day of January, 2008, 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 of SWWC Services, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Jon Wallace of TBG Partners ("TBG"); Kenneth Martinec of Jones & Carter, Inc. ("J&C"); Shirley McLennan of McLennan & Associates; Renee Miller and Bhavin Patel of Legacy Energy Management ("Legacy"); and Susan Edwards, Amy Connor, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the December 20, 2007, regular meeting. Ms. Edwards requested that the Board review and whether the Board authorized the District engineer to advertise for bids for construction of the access driveway at the wastewater treatment plant and whether the Board authorized advertising the water, sewer, and drainage facilities project to serve the Canyonlands commercial development. Following discussion, the Board concurred that authorization to advertise the driveway project was not the intent of the Board at the December meeting and that authorization be removed from the minutes and confirmed that the Board had authorized advertising the Canyonlands facilities. Upon a motion made by Director Bradley and seconded by Director Gilligan, the Board voted unanimously to approve the minutes of the December 20, 2007, as amended.

TAX REPORT

Mr. Keefe distributed the District's monthly tax report, reflecting that 41.6% of the 2007 taxes had been collected as of the end of December. Mr. Keefe stated that the

delay in payment from American Mortgage escrowed tax amounts made collections for this time of year lower than usual. 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.

BOOKKEEPER'S REPORT AND AMEND BUDGET

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. She reviewed with the Board a proposed revision to the budget to include increases to water and sewer revenue, tap revenue and strategic partnership agreement sales tax revenue and to increase ditch mowing expenses. Ms. McLennan reported that Harris County mowing reimbursement payments regarding the joint drainage facilities that have been received since 2004 have not been shared with Harris County Municipal Utility District No. 364 ("364"). The Board directed the bookkeeper to review the County reimbursement history and prepare a written report. Upon a motion made by Director Silverman and seconded by Director Pacioni, the Board voted unanimously to approve the bookkeeper's report and the checks presented and to approve the amended budget. A copy of the bookkeeper's report is attached as an exhibit to these minutes.

FILING OF DISCLOSURE STATEMENTS REQUIRED BY PUBLIC FUNDS INVESTMENT ACT

The Board considered accepting the Disclosure Statements from the District's bookkeeper and Investment Officers for filing with the Texas Ethics Commission as required by the Public Funds Investment Act. Upon a motion made by Director Pacioni and seconded by Director Bradley, the Board voted unanimously to accept the Disclosure Statements from the District's bookkeeper and Investment Officer and to authorize filing with the Texas Ethics Commission.

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. Mr. Bare reported that 4 new commercial taps were installed during the month of December and that the commercial meters throughout the District were tested and that 25 of those meters were replaced. Mr. Bare also reported that SWWC had received a violation notice from Texas Commission on Environmental Quality ("TCEQ") for blocked clarifier line, resulting in an excess of total suspended solids. He said that SWWC cleared the lines and responded to TCEQ in writing and that he would report back to the Board if the problem continued. 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 quality 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 Gilligan 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.

APPROVE ASSIGNMENT OF OPERATING SERVICES AGREEMENT TO SWWC SERVICES, INC.

After discussion, Director Silverman moved to approve the Assignment of Operating Services Agreement from ECO Resources, Inc., to SWWC Services, Inc. Director Bradley seconded the motion, which carried by unanimous vote.

UPDATE ON REQUEST FROM HARRIS COUNTY WATER CONTROL AND IMPROVEMENT DISTRICT NO. 113 ("WCID 113")

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.

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 had no invoices for payment. The Board concurred that decision regarding fertilization be deferred to the joint meeting with No. 364.

Ms. McLennan reported to the Board that the District had never reimbursed any of the Harris County reimbursements to No. 364 for mowing of the joint drainage channels. After discussion, Director Silverman moved to direct the District engineer to delineate the channel areas owned by each District and to direct the District bookkeeper

to calculate the amount of any adjustment due between the Districts. Director Bradley seconded the motion which passed unanimously.

SEWAGE TREATMENT PLANT DRIVEWAY

Mr. Martinec requested authorization to advertise for the construction of the concrete access drive at the wastewater treatment plant. The Board concurred that a decision regarding authorization be deferred to the joint meeting with No. 364.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

Director Myers requested that J&C bring copies of the project plans to the joint meeting. Ms. Edwards discussed with the Board the status of establishment of easements along Spring Cypress for the relocation of the District's waterlines. She said that formal offers had been extended to the property owners affected.

WASTEWATER DISCHARGE PERMIT

Mr. Martinec reported that wastewater effluent testing results submitted to TCEQ showed an increased level of copper and TCEQ has required that the District test for and report on copper levels every two weeks.

PILOT CHANNEL DE-SILTING

Mr. Martinec reported that Stormwater Solutions has completed the scheduled work and presented and recommended payment of an invoice in the amount of \$9,000. He further stated that \$4,680 represents the District's share of the work. Upon a motion by Director Pacioni and a second by Director Gilligan, the Board voted unanimously to approve a payment of \$4,680 to Stormwater Solutions for de-silting of the detention pond pilot channel.

THE PARK AT ARBORDALE

Mr. Martinec next reported regarding the construction of facilities to serve The Park at Arbordale. Mr. Martinec reviewed with the Board a change order in the amount of \$11,336 to remove 8 trees along Spring Cypress at the northeast corner of the tract. Mr. Martinec noted the removal of the trees was not included in the clearing and grubbing contract but now the trees do need to be removed. He said that the contractor had already left the work site when the decision to remove the additional trees was made. Mr. Coleman added that change order is based on alternate bid amounts and the costs were included in his budget for the project. Mr. Martinec reviewed the clearing and grubbing plans with the Board. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve the change order. Mr. Martinec also reported that he had advised the HOA to file a written claim for damages against the contractor who performed the work concerning the mistaken clearing of a

10-foot strip owned by the HOA along Spring-Cypress between the Park at Arbordale and Axton Falls.

Ms. Martinec said that District No. 364 had expressed concerns that the outfall structure at the Park at Arbordale drains into a portion of the drainage channel that is not a joint facility. The Board concurred that the channel is a Harris County Flood Control facility, that the easement was dedicated to the public, and that the HOA owns the underlying fee.

Mr. Martinec also presented a waterline easement and a sanitary sewer force main easement to be conveyed by the HOA for utility construction along Spring Cypress. He further explained that these easements will replace two similar easements that will be abandoned following approval of these current easements. Following discussion, Director Pacioni moved to approve the easements. Director Gilligan seconded the motion which passed 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 was preparing the conveyance documents for signature by the landowners. 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 anticipated completion of the trail within three weeks.

FENCING PROJECT AT DETENTION BASIN

Mr. Wallace reported that the control staking for the installation of the fence at the corner of Jarvis Road and Barker Cypress Road had been removed by the County. Mr. Martinec said that the cost to re-stake the line is about \$500. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to authorize the expense to replace the staking.

HARRIS COUNTY PRECINCT 3 LANDSCAPING AND TRAIL PROJECT

The Board took no action.

MURR INCORPORATED REPORT ON NATURE TRAIL AMENITIES

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

TRAIL MAINTENANCE

Director Myers read a letter from Mr. Murr regarding erosion of the granite trail and installation of pavers to resolve the erosion problem at a cost of \$2,700. The Board took no action.

PARK GRANT APPLICATION AND DETENTION BASIN PARK DESIGN

The Board took no action.

DETENTION PARK DESIGN

The Board took no action.

ELECTRICITY PROVIDER TRANSITION

Ms. Renee Miller discussed with the Board the status of transfer of District facility electrical meters and said that all seven contracts had been moved in September 2007 to expire concurrently in April, 2011. Ms. Miller said Legacy transferred two service locations early resulting in an early termination charge of \$8,329.79. Ms. Miller presented the District with a check in the amount of \$8,329.79 from Legacy to cover the District's expenses for the early termination charges. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve payment of the early termination charges to the previous electricity provider, Champions Energy.

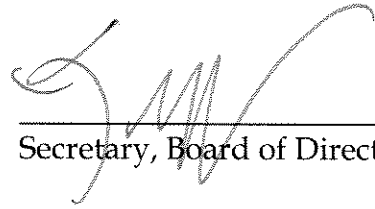
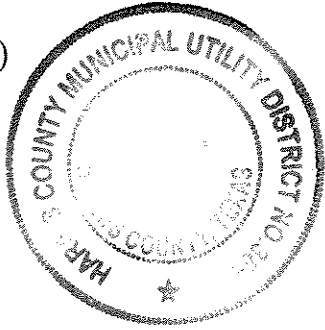
SUCH OTHER MATTERS

The Board discussed installation of a splash pad near the community pool and the estimated cost for same. Ms. Edwards reviewed with the Board the District funds available for this type of project and the contracts required to support the expense.

Director Silverman and Director Myers discussed with the Board the proposed trail maintenance agreement with No. 364, specifically the termination clause and the provision for reimbursement for sealing.

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

(SEAL)



Secretary, Board of Directors

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