

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

July 24, 2008

The Board of Directors of Harris County Municipal Utility District No. 365 met in regular session, open to the public, on the 24th day of July, 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
Megan Bradley	Vice President
Alan Silverman	Assistant Vice President
Matthew Lund	Secretary
Claudine Pacioni	Director

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

Also present at the meeting were Brian Bare of SWWC Services, Inc.; Michael Keefe of Bob Leared Interests, Inc.; Caleb Franklin of TBG Partners ("TBG"); Chris Burke of Sander Engineering Corporation ("SEC"); Shirley McLennan of McLennan & Associates; Mike Vandewater; and Susan Edwards and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

APPROVE MINUTES

The Board considered approving the minutes of the June 19, 2008, regular meeting. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the minutes of the June 19, 2008, regular meeting as amended.

TAX REPORT

Mr. Keefe distributed the District's monthly tax report reflecting that 99.1% of the 2007 taxes had been collected as of the end of June. Mr. Keefe also requested that the Board consider at its August meeting an addendum to the tax assessor collector's contract for reimbursement of mileage. After discussion, Director Bradley moved that the Board approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Silverman seconded the motion, which passed unanimously. Copies of the tax assessor/collector report and delinquent account list are attached to these minutes.

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. Mr. Burke said that repairs to the wastewater treatment plant were not complete and that the check written at a previous meeting to Epoxy Designs should continue to be held. Upon a motion made by Director Lund 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.

DEPOSITORY PLEDGE AGREEMENT WITH COMPASS BANK AND LETTER OF CREDIT AGREEMENT

Ms. Edwards stated that Compass Bank has acquired Texas State Bank. She presented a Depository Pledge Agreement and a Letter of Credit Agreement between the District and Compass Bank. She noted that Compass Bank proposes to use a letter of credit from the Federal Home Loan Bank in Atlanta as collateral for District deposits. After review and discussion, Director Bradley moved to approve the Depository Pledge Agreement and the Letter of Credit Agreement with Compass Bank, direct that such documents be given to the bookkeeper to complete and forward to Compass Bank for execution, and direct that such documents, once completed and fully executed, be filed appropriately and retained in the District's official records. Director Silverman seconded the motion, which passed unanimously.

RESOLUTION ESTABLISHING THE AUTHORIZED DEPOSITORY INSTITUTIONS

Ms. Edwards presented a Resolution Establishing the Authorized Depository Institutions for Board consideration establishing Compass Bank as an authorized depository institution of the District. After review and discussion, Director Bradley moved to adopt the Resolution and direct that it be filed appropriately and retained in the District's official records. Director Silverman seconded the motion, which passed unanimously.

DISCUSS BUDGET FOR FISCAL YEAR END AUGUST 31, 2009

Ms. McLennan next reviewed with the Board draft budgets for the fiscal year ending August 31, 2009, for the District. Directors Myers requested that the draft be amended to include lines items for maintenance reserves and for trail construction and maintenance. Following discussion, the Board concurred to defer action on this agenda item.

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 Lund 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 Lund 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.

ENGINEER'S REPORT

The Board reviewed a written engineer's report submitted by SEC 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.

TRANSITION OF DOCUMENTS FROM JONES & CARTER, INC.

Mr. Burke reported that SEC is beginning to receive files and drawings from J&C.

STORMWATER CHANNEL FACILITIES

Mr. Burke reviewed with the Board his analysis of the District's and No. 364's respective usage of drainage and detention facilities. Mr. Burke said that he had also received correspondence from No. 364 indicating that No. 364 was unhappy with the fuel surcharges by Seaback Maintenance. Following discussion, Director Silverman moved to approve reimbursement to No. 364 of 55% of the total maintenance payments received by the District from Harris County Flood Control District and approve a 45% District share and 55% No. 364 share between the Districts for maintenance of drainage and detention facilities. Director Bradley seconded the motion which passed unanimously.

Mr. Burke also reported that the upper slopes had not been mowed because of excessive temporary irrigation to establish the trees. He said that he would get Seaback out to mow this week.

ACCESS ROAD AT WASTEWATER PLANT

The Board next discussed the status of the construction of the access road at the wastewater treatment plant. Mr. Burke said the notice to proceed was issued on July 9, 2008, but performance was suspended pending final plan approval by Harris County. Mr. Burke presented a proposal from Cotton Surveying for \$4,500 for additional construction staking. Mr. Burke also suggested increasing the pavement specifications from 6" capable of supporting 3,000 pounds per square inch to 7" capable of supporting 3,500 pounds per square inch at an estimated cost increase of \$21,000. Following discussion, Director Silverman moved to approve the proposal from Cotton Surveying for \$4,500 for additional construction staking. Director Lund seconded the motion which passed unanimously. The Board concurred to defer action on changing the pavement specification at an estimated cost of \$21,000 until after the joint meeting with No. 364.

HARRIS COUNTY WIDENING OF SPRING CYPRESS ROAD

The Board discussed the status of the widening of Spring Cypress Road by Harris County. Ms. Edwards updated the Board on easement acquisitions, stating that Gemtone Texas L.P.'s executed easement is expected soon and an award of the easement to the District had been approved in the Abbott Properties, LLC condemnation. No Board action was taken on this agenda item.

REPAIR OF BASIN LEAKS AT WASTEWATER TREATMENT PLANT

Mr. Burke reported that Epoxy Designs will make additional repairs and that he has an onsite meeting scheduled to inspect the repairs.

WASTEWATER DISCHARGE PERMIT

Mr. Burke reported that the wastewater treatment plant permit renewal application is still pending at the Texas Commission on Environmental Quality.

THE PARK AT ARBORDALE

The Board next discussed the construction of facilities to serve The Park at Arbordale. Mr. Burke reported that J&C was preparing as-built drawings. He also said that the lift station was in service and that J&C was reviewing a punchlist with the contractor.

CANYONLANDS COMMERCIAL PROPERTY

The Board next discussed the status of the water, sewer, and drainage facilities to serve the Canyonlands commercial property. Mr. Burke said that the facilities were complete.

ONE-YEAR WARRANTY FOR LIFT STATION NO. 1 GENERATOR

Mr. Burke said that SEC will schedule the inspections.

DEEDS AND EASEMENTS

No deeds and easements were presented for consideration.

Mr. Burke also said that he received service requests from NewQuest and a property owner on Dundee outside the boundaries of the District. Mr. Burke said that the District did not have adequate wastewater capacity to serve the tracts. The District took no further action on these requests.

Mr. Burke also presented to the Board an analysis prepared by J&C of capacity at the water plant and a proposed recalculation of capacity wherein the District and No. 364 gain additional capacity. Following discussion, the Board concurred that the proposed recalculation be discussed at the July 31st joint meeting.

DEVELOPER'S REPORT

Director Myers discussed with the Board an impending change order for The Park at Arbordale for additional construction fencing and costs to expedite installation of the utility lines. Director Myers said that he had requested additional information on the change order request.

TBG REPORT

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

PHASE 2 TRAIL IMPROVEMENTS

Mr. Franklin reported that the final walk through was scheduled for the first part of next month. Director Lund reported surface cracks in the pavement on the north side of the detention basin. Upon inquiry from Director Myers, Mr. Burke and Mr. Franklin said that they would work together to get pricing for ongoing maintenance on an as needed basis.

FENCING PROJECT AT THE DETENTION BASIN

The Board discussed recent damage by an unknown vehicle to the fence. Mr. Franklin presented a proposal to repair the fence in the amount of \$5,000 from American Wall Systems. Director Myers also requested that Mr. Franklin find a heavier bolt for the fence gates. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to approve fence repair by American Wall Systems in an amount not to exceed \$5,000.

PHASE 3 TRAIL CONSTRUCTION

The Board discussed potential projects for Phase 3 and budgeting for same.

TRAIL MAINTENANCE AGREEMENT AND AMENDED EXHIBIT

Ms. Edwards reviewed with the Board an amended exhibit to the trail maintenance agreement. Upon a motion by Director Bradley and a second by Director Silverman, the Board voted unanimously to approve the amended exhibit.

RECREATIONAL EASEMENT TO HARRIS COUNTY NO. 364

Ms. Edwards said that the engineer for No. 364 is preparing a metes and bounds description of the property to be conveyed so that the conveyance document can be prepared. No Board action was taken on this agenda item.

DETENTION BASIN PARK CONCEPTUAL PLAN

No report was given.

AUTHORIZE CONTRACTING FOR ELECTRICITY SUPPLY FOR THE PARK AT ARBORDALE LIFT STATION

Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to authorize the execution of a contract for electricity supply for The Park at Arbordale lift station.

APPROVE REIMBURSEMENT OF EXPENSES FOR ASSOCIATION OF WATER BOARD DIRECTORS SUMMER CONFERENCE AND AUTHORIZE ATTENDANCE AT ASSOCIATION OF WATER BOARD DIRECTORS WINTER CONFERENCE INCLUDING REIMBURSEMENT OF ELIGIBLE EXPENSES

The Board considered expenses submitted by Board members who attended the summer conference and considered authorizing attendance of the Association of Water Board Directors ("AWBD") summer conference. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to

authorize reimbursement of the expenses submitted by the Board members for the summer conference and authorized attendance by the directors at the AWBD winter conference with up to 3 per diems per director attending.

CONVENE EXECUTIVE SESSION PURSUANT TO SECTION 551.071, TEXAS GOVERNMENT CODE, TO CONDUCT A PRIVATE CONSULTATION WITH ATTORNEY TO DISCUSS PENDING OR CONTEMPLATED LITIGATION

The Board concurred it was not necessary to convene in executive session pursuant to Section 551.071, Texas Government Code.

MATERIAL EVENT NOTICE FOR BOND INSURANCE DOWNGRADE

Ms. Edwards stated that Asset Guaranty Insurance Corporation ("AGIC"), Financial Security Assurance ("FSA") and AMBAC Assurance Corporation ("AMBAC"), bond insurers, have been downgraded by Standard & Poor's. She stated that AGIC is the insurer on the District Series 1999 Bonds, that FSA is the insurer on the District Series 2000 and 2001 Bonds, that AMBAC is the insurer on the District Series 2005 Bonds and that the District is required to provide a material event notice regarding the downgrades to the State Information Depository. Ms. Edwards stated that these notices have been prepared and provided to the State Information Depository.

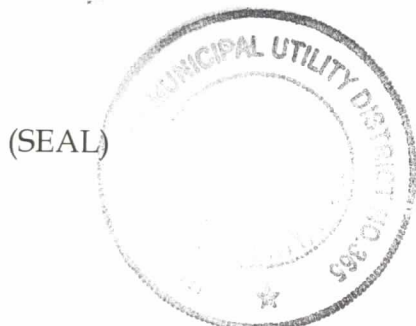
JOINT MEETING AGENDA

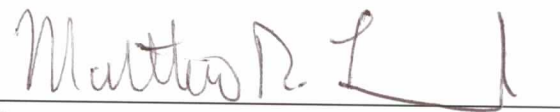
Ms. Edwards reviewed with the Board the joint meeting agenda for July 31, 2008.

VACANT BOARD POSITION

The Board discussed the vacant Board position. Following discussion, Director Silverman authorized ABHR to contact Mike Vandewater and prepare the necessary paperwork to appoint Mr. Vandewater to the Board. Director Bradley seconded the motion which passed unanimously.

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




Secretary, Board of Directors

LIST OF ATTACHMENTS TO MINUTES

Minutes
Page

tax assessor/collector report and delinquent account list	1
bookkeeper's report	2
written operator's report and wastewater quality testing results	3
termination list	3
engineer's report	3