

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

August 26, 2010

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 365 (the "District") met in regular session, open to the public, on the 26th day of August, 2010, at the offices of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2400, Houston, Texas, outside the boundaries of the District, and the roll was called of the members of the Board:

Joe Myers	President
Megan Bradley	Vice President
Alan Silverman	Assistant Vice President
Matthew Lund	Secretary
Michael Vandewater	Assistant Secretary

and all of the above were present.

Also present at the meeting were Brian Bare of SWWC Services, Inc. ("SWWC"); Michael Keefe of Bob Leared Interests, Inc.; Chris Burke of Sander Engineering Corporation ("SEC"); Sherri Greenwood of BKD, LLP; Greg Lentz of First Southwest Company; Michal Murr of Murr Incorporated; Shirley McLennan of McLennan & Associates; and Susan Edwards, Alia Vinson, and Jane Miller of Allen Boone Humphries Robinson LLP ("ABHR").

PUBLIC COMMENT

There was no public comment.

MINUTES

The Board considered approving the minutes of the July 15, 2010, regular meeting and the July 8, July 14, July 23 and August 12, 2010, special meetings. Upon a motion made by Director Vandewater and seconded by Director Lund, the Board voted unanimously to approve the minutes of the July 15, 2010, regular meeting and the July 23 and August 12, 2010, special meetings, as submitted, and the July 8 and 14, 2010, special meetings, as revised.

AUDITOR TO CONDUCT AUDIT FOR FISCAL YEAR ENDING AUGUST 31, 2010

Ms. Greenwood reviewed a proposal for auditing services from BKD. Ms. Greenwood stated the estimated fees are \$16,000 for the District's audit and \$1,700 to audit each joint facility account. After discussion, Director Silverman moved to

approve the proposal from BKD, LLP. The motion was seconded by Director Bradley, and passed unanimously.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that 99.4% of the 2009 taxes had been collected as of the end of July, 2010. Mr. Keefe also reviewed the delinquent tax account report. After discussion, Director Bradley moved to approve the tax assessor/collector's report and the checks drawn on the District's tax account. Director Lund seconded the motion, which passed unanimously. A copy of the tax assessor/collector's report is attached.

FINANCIAL AND BOOKKEEPING MATTERS AND APPROVAL OF BUDGET AND JOINT FACILITIES BUDGET FOR THE FISCAL YEAR ENDING AUGUST 31, 2011

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. Ms. McLennan presented a draft budget for the District for the fiscal year ending August 31, 2011, and draft joint facilities budgets for the fiscal year ending August 31, 2011. Ms. McLennan noted that no comments regarding the joint facilities budgets were received from Harris County Municipal Utility District No. 364 ("No. 364"). Mr. Lentz reviewed with the directors the District's operating reserve, the proposed budget, and preliminary 2010 maintenance tax information, a copy of which tax information is attached. The Board discussed revisions to the draft budget. After review and discussion, and upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve (1) the bookkeeper's report; (2) checks presented for payment; (3) the District budget for the fiscal year ending August 31, 2011, as revised; and (4) the joint facilities budgets for the fiscal year ending August 31, 2011. Copies of the bookkeeper's report, draft District budget and joint facilities budgets for the fiscal year ending August 31, 2011 are attached.

OPERATION OF DISTRICT FACILITIES

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. He reviewed routine maintenance and repairs in the District, including preventative maintenance at the wastewater treatment plant, ground storage tanks, generator, booster pump and compressor at the water plant. He also reviewed test results on effluent at the wastewater treatment plant and wastewater from the Dry Clean Supercenter. Mr. Bare reported the District's monthly water accountability at 95%. The Board discussed the District's meter replacement policy and requested that SWWC test the replaced meters and report the results to the Board. Mr. Bare stated that the replaced meters will be tested at no additional cost. Upon a motion made by Director Silverman and seconded by Director Lund, the Board voted unanimously to approve the operator's report.

HEARING ON TERMINATION OF WATER SERVICE TO DELINQUENT CUSTOMERS AND TERMINATION OF SERVICE

The Board then conducted a hearing on the termination of utility service to delinquent accounts. Mr. Bare reported that the persons on the 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 Silverman moved that, since the customers on the termination 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 District's Rate Order. Director Lund seconded the motion, which carried unanimously. A copy of the termination list is attached.

AMEND DISTRICT RATE ORDER

Ms. Vinson presented a draft Amended Rate Order, which passes through charges incurred by the District for communications to delinquent customers and updates the billing schedule for pumpage fees paid to the North Harris County Regional Water Authority ("NHCRWA"). Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the Amended Rate Order.

ENGINEERING MATTERS

Mr. Burke reviewed a capacity availability letter for Cheddars Restaurant and reported on unauthorized digging on the District's soccer fields.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

There was no discussion for this agenda item.

LANDSCAPE ARCHITECT REPORT

Mr. Murr reported on the Phase III trail continuation, including signage, irrigation along Jarvis Road in the green parking area and damaged irrigation lines at the intersection of Jarvis and Barker Cypress Roads. Mr. Murr recommended payment of Pay Estimate No. 8 in the amount of \$34,862.75, payable to Millis Development and Construction, Inc.

Mr. Murr reviewed a proposed grading plan for the existing and proposed soccer fields and the proposed future baseball field. Director Myers requested that Mr. Murr revise his proposal to address only the re-grading of the three existing soccer fields.

Director Bradley presented two draft letters notifying District residents that the District is offering 200 complimentary residential irrigation system evaluations.

Upon a motion by Director Bradley and a second by Director Lund, the Board voted unanimously to: (1) authorize payment of Pay Estimate No. 8 in the amount of \$34,862.75, payable to Millis Development and Construction, Inc.; and (2) authorize distribution of the letters notifying District residents of the residential irrigation system evaluations.

EXECUTIVE SESSION REGARDING ACQUISITION OF REAL PROPERTY

At 1:48 p.m., Director Myers announced that the Board would meet in Executive Session to deliberate the purchase, exchange, lease, or value of real property.

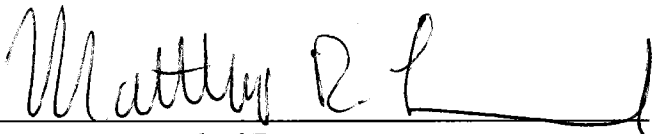
OPEN SESSION REGARDING ACQUISITION OF LAND

Director Myers announced that the Board would reconvene in open session and that the date and time of the end of the session was August 26, 2010, at 2:03 p.m. No action was taken as a result of discussion in executive session.

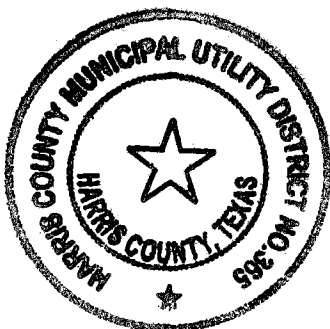
SEPTEMBER SPECIAL MEETING AGENDA

The Board considered agenda items for upcoming District meetings.

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


Secretary, Board of Directors

(SEAL)



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