

MINUTES
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

August 18, 2011

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 18th day of August, 2011, 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.; Michael Murr of Murr, Inc.; Shirley McLennan of McLennan & Associates; Chris Burke of Sander Engineering Corporation ("SEC"); Greg Coleman of Beazer Homes Texas LP; Dan McDonald of SIG/McDonald & Wessendorff; Sherri Greenwood of BKD, Inc.; Greg Lentz of First Southwest Company; 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 21, 2011, regular meeting. Upon a motion made by Director Bradley and seconded by Director Lund, the Board voted unanimously to approve the minutes for the July 21, 2011, regular meeting.

TAX ASSESSMENT AND COLLECTION MATTERS

Mr. Keefe reviewed the District's monthly tax report, noting that 99.6% of the 2010 taxes had been collected as of the end of July, 2011, and reviewed delinquent accounts. Mr. Keefe also reported regarding historical collections and the District's preliminary assessed value for 2011. After discussion, Director Silverman moved to 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.

AUDIT FOR FISCAL YEAR END AUGUST 31, 2011 AND DEVELOPER REIMBURSEMENT REPORT

Ms. Greenwood reviewed a proposal for auditing services from BKD. Ms. Greenwood stated the estimated fees are \$16,900 for the District's audit and \$1,800 to audit each joint facility account. Ms. Greenwood also discussed a new governmental accounting standard enacted for 2011 and the effect upon the District's auditing practice. Ms. Greenwood also presented a proposal to prepare the developer reimbursement report on surplus funds required by the Texas Commission on Environmental Quality ("TCEQ"). After discussion, Director Lund moved to approve the audit proposals from BKD, LLP and to authorize BKD, LLP to conduct the developer reimbursement report at its standard hourly rates. The motion was seconded by Director Bradley, and passed unanimously.

DISTRICT'S UNLIMITED TAX REFUNDING BONDS, SERIES 2011, AND AMENDMENT OF INFORMATION FORM

Mr. Lentz updated the Board on the District's Series 2011 Refunding Bond Issue. He said that the anticipated closing date is August 31, 2011. Ms. Edwards next presented an updated District information form reflecting the issuance of the refunding bonds and said that the information form will be recorded with Harris County and filed with the TCEQ. Upon a motion by director Lund and a second by Director Bradley, the Board voted unanimously to approve the information form and authorize ABHR to file the updated form with the Texas Commission on Environmental Quality and Harris County.

RENEWAL OF DISTRICT'S INSURANCE POLICIES

Ms. Vinson said that the District's current insurance policies expire at the end of August. The Board then received a presentation from Dan McDonald of SIG/McDonald & Wessendorff on insurance renewal options and reviewed an alternative proposal from Harco Insurance Services. Mr. McDonald discussed deductible options for property boiler and machinery coverage and reviewed the District's claims history. Director Lund moved to approve renewal through SIG/McDonald & Wessendorff, with a \$25,000 deductible for property boiler and machinery. Director Vandewater seconded the motion and the Board voted unanimously to approve Director Lund's motion. Mr. McDonald said that he would forward a revised invoice reflecting the revised deductibles approved.

FINANCIAL AND BOOKKEEPING MATTERS

Ms. McLennan reviewed with the Board the bookkeeper's report, investment report, budget comparison, and the bills and checks presented for payment. The Board also reviewed draft joint facilities budgets for the fiscal year ending August 31, 2012, and a draft District budget for the fiscal year ending August 31, 2012, and discussed revisions. Ms. McLennan noted that no comments were received from No. 364 for the draft joint facilities budgets. After review and discussion, and upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to (1) approve the bookkeeper's report; (2) approve the checks presented for payment; (3) approve the District budget for the fiscal year ending August 31, 2012; and (4) approve the joint facilities budgets for the fiscal year ending August 31, 2012.

OPERATION OF DISTRICT WATER, SANITARY SEWER, AND STORMWATER FACILITIES

Mr. Bare reviewed the written operations report with the Board, a copy of which is attached. He reported two new taps in the District and reviewed routine maintenance and repairs in the District, including a tap line repair on Hayden Crest and three taps for Texas Furniture Hut. Mr. Bare also reported that the District's monthly water accountability was 101.5%, most likely due to the timing of reading No. 364's meters. He also reported that the re-painting of the District's fire hydrants is complete.

Mr. Bare presented a customer request for a bill adjustment as a result of high usage at 13819 Magnolia Manor. The Board reviewed the historical use information provided by Mr. Bare. The Board also discussed amending the District's meter replacement policy, which currently replaces residential meters registering over 1 million gallons of water use. Upon a motion made by Director Lund and seconded by Director Silverman, the Board voted unanimously to (1) approve the operator's report; (2) authorize SWWC to extend a payment plan to the customer at 13819 Magnolia Manor; and (3) direct the District's operator to replace residential meters once they register 1.5 million gallons or more of use.

He also provided test results on effluent at the wastewater treatment plant and reported that the Dry Clean Supercenter wastewater samples taken on May 13, 2011, and August 10, 2011, exceeded permitted contaminant levels. Upon a motion made by Director Silverman and seconded by Director Bradley, the Board voted unanimously to impose a \$500 fine for the violation and to authorize ABHR to prepare a notice letter to the Dry Clean Supercenter to be hand delivered by SWWC.

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 Lund 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 Silverman seconded the motion, which carried unanimously. A copy of the termination list is attached.

REPORT REGARDING DEVELOPMENT IN THE DISTRICT

The Board received a report from Mr. Coleman regarding the number of homes sold to date and current sales within The Park at Arbordale and planning for future phases.

APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY FOR APPROVAL TO USE SURPLUS FUNDS TO REIMBURSE THE DEVELOPER FOR PARK AT ARBORDALE INFRASTRUCTURE

Ms. Edwards reported on the status of the District's application to the TCEQ requesting approval to use of surplus funds to reimburse Beazer Homes for construction of water, sewer and drainage facilities to serve The Park at Arbordale.

REPORT ON RECREATIONAL AND LANDSCAPE FACILITIES

Ms. Vinson discussed the expiration of the District's contract with VEPO, LLC for residential irrigation evaluations and reported that VEPO, LLC has agreed to retain the District's data collected in the event the District later reinstates the program. The Board concurred to allow the contract to expire. Mr. Murr updated the Board on repair of the fence along Jarvis Road and the construction of the concrete ramp north of the south detention pond.

ENGINEERING MATTERS

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.

STORMWATER CHANNEL MAINTENANCE

Mr. Burke said that the July invoice for mowing of the dry detention pond was submitted by Seaback Maintenance for payment. Mr. Burke provided pictures of the commercial ditch and discussed the condition of same with the Board. Director Myers requested that ABHR confirm ownership of the ditch before discussing further.

JARVIS ROAD WIDENING

Mr. Burke next reported regarding Harris County's schedule for the widening of Jarvis Road. Ms. Vinson added that no construction could occur until a written agreement is executed between the District and Harris County.

UTILITY AVAILABILITY REQUESTS

Mr. Burke said that SEC reviewed several swimming pool plans during the month of July. He also updated the Board on the status of construction of Texas Furniture Hut and the design and land plan for Saltgrass Steakhouse, including a request for letter of confirmation of detention capacity in District facilities. Mr. Burke said that Jones & Carter will provide the letter to Saltgrass Steakhouse confirming that detention is available for the Saltgrass Steakhouse tract.

FUTURE WATER SUPPLY

The Board discussed the North Harris County Regional Water Authority ("NHCRWA") schedule for the delivery of surface water to the District's water plants.

WELL RUN TIMES AND DROUGHT CONTINGENCY MEASURES

Mr. Burke reviewed well run times. He reported that the District has not yet reached the criteria necessary to declare stage 1 drought conditions. He also reviewed well production tests.

CORROSION AT WATER PLANT NO. 2

Mr. Burke reported that SEC will inspect ground storage tank no. 2 and repair ground storage tank no. 1 in the winter.

REHABILITATION OF WATER WELL NO. 3

Mr. Burke discussed the recommended rehabilitation of water well no. 3 and the status of preparation of a bid package.

ELEVATED STORAGE TANK WAIVER

Mr. Burke reported that SEC continues to work on the elevated storage tank waiver request to be submitted to the TCEQ later this year.

SANITARY SEWER SERVICE TO ENTOUCH FACILITY ON SPRING CYPRESS ROAD AND DEEDS, EASEMENTS, AND ENCROACHMENTS

Ms. Edwards presented sanitary sewer easements from ETS Telephone Company, Inc. ("ETS") and Coles Crossing Community Association, Inc. ("CCCAI") for the installation of a sanitary sewer line to serve ETS. Upon a motion by Director Silverman and a second by Director Bradley, the Board voted unanimously to accept a sanitary sewer easement from ETS and a sanitary sewer easement from CCCAI for the installation of a sanitary sewer line to serve ETS.

SECURITY REPORT

The Board discussed security issues within the District.

PUBLIC COMMUNICATIONS

The Board discussed the District website. Director Lund recommended fiscal information to be added to the website.

SEPTEMBER MEETING AGENDA ITEMS

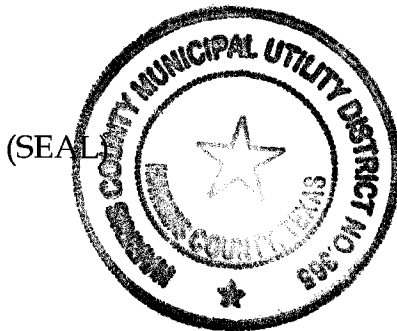
The Board discussed the September special meeting date and agenda and September regular meeting date and agenda.

CONVENE IN EXECUTIVE SESSION PURSUANT TO SECTION 551.072, TEXAS GOVERNMENT CODE, TO DELIBERATE THE PURCHASE, EXCHANGE, LEASE, OR VALUE OF REAL PROPERTY

The Board determined that no executive session was necessary.

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


Secretary, Board of Directors



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