

MINUTES  
HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 365

January 11, 2012

The Board of Directors (the "Board") of Harris County Municipal Utility District No. 365 (the "District") met in special session, open to the public, on the 11th day of January, 2012, at the Coles Crossing Community Center, 13050 Barker Cypress Road, Cypress, Texas, 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 Vince De'Anglis, Dale Trevino, and Alan Beard, directors of Harris County Municipal Utility District No. 364 ("No. 364"); Brooke Dold and Jolie Lentz of Johnson, Radcliffe, Petrov & Bobbitt PLLC; Chris Burke of Sander Engineering Corporation; Keith Foley, No. 364 resident; Lisa Foley, Kevin Courtland and Don Richards of Coles Crossing Community Association, Inc. ("CCCAI"); Deputy David Powers of Harris County Sheriff's Department; and Alia Vinson and Jane Miller of Allen Boone Humphries Robinson LLP.

SECURITY REPORT

Deputy Powers reported regarding security issues within the District, District patrol initiatives and coordination of security concerns with Director Lund. Ms. Foley reported regarding security patrol paid for through CCCAI.

JOINT FACILITIES OPERATIONS AND FINANCES

Mr. Burke reported that there are no outstanding issues regarding storm facilities.

Mr. Burke reported that the hydro-pneumatic tanks were inspected last year, that the inspector recommended repairs, and that SEC's painting inspector recommended painting exteriors and interiors of the tanks within the next 12 to 24 months. He recommended that the Board authorize repair of the interior of the hydro-pneumatic tanks while the plant is down for repairs to water well no. 3 and discuss addressing the hydro-pneumatic tank exteriors and the ground storage tank floors in the fall of 2012. Mr. Burke said that the inspector mentioned that one of the hydro-pneumatic tanks at water plant no. 2 may have a crack and recommended x-raying the tank.

Mr. Burke reported that SEC inspected ground storage tank no. 2 and recommended cleaning and filling the new holes and any of the old repairs that have failed, blasting the entire floor of the tank and applying a complete coat on the storage tank floor. Mr. Burke said that he estimates the repairs at ground storage tank no. 2 will cost between \$20,000 and \$30,000. Mr. Burke said that there is also pitting on the floor of ground storage tank no. 1, but not as severe as those in ground storage tank no. 2. He said that repairs to the tanks are not critical at this time.

Mr. Burke also recommended repairs to the column piping at water well no. 3 for \$85,203, reduced by Alsay Inc. from the original contract award amount due to changes in quantity. Mr. Burke discussed production at well no. 3 and said that the rehabilitation is expected to increase the capacity from 900 gallons per minute ("gpm") to 1,200 gpm and extend the life of the well for an additional 8 to 10 years.

Mr. Burke confirmed that the District is currently receiving all of its water through the interconnect with Harris County Northwest Municipal Utility District No. 10 ("No. 10") to credit back water used by No. 10 last summer.

Following discussion, Director Lund moved to (1) authorize additional work recommended at water well no. 3 in the amount of \$85,203 and authorize the District engineer to prepare a work order for consideration at the Board's February meeting to adjust the original quantities within the contract; (2) authorize coating of the interiors of the hydro-pneumatic tanks at the District's and No. 364's water plants; and (3) authorize x-ray of a possible crack in hydro-pneumatic tank no. 1 at water plant no. 2. Director Bradley seconded the motion which passed unanimously.

Mr. Burke reported on recurring seepage at the wastewater treatment basin and recommended injecting an expandable polyurethane into the joints. He also reported settlement in the chlorine contact chamber. The Board took no action.

Mr. Burke also reported on the status of construction of sanitary sewer lines to serve the Entouch facility.

#### DROUGHT AND WATER CONSERVATION MEASURES

Mr. Burke, the Board and No. 364 next discussed future water supply schedules for delivery of surface water to the District by the North Harris County Regional Water Authority ("NHCRWA"), surface water operations issues, NHCRWA water use goals in 2011 and providing water conservation messages to customers through utility billing.

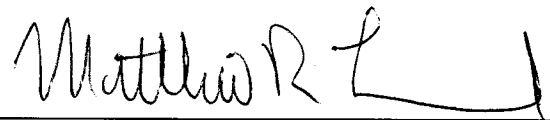
#### TRAIL IMPROVEMENT/CONTINUATION REPORTS

No. 364 reported on the status of construction of No. 364's new trail at Stillwater Village.

POSSIBLE CONSOLIDATION OF DISTRICT AND HARRIS COUNTY MUNICIPAL  
UTILITY DISTRICT NO. 364

The Board and No. 364 discussed the initial meeting of the consolidation committee and concurred to include each district's attorney in subsequent committee meetings. Ms. Vinson reviewed a proposed outline of activities to be completed in moving towards consolidation and the Board and No. 364 then concurred to begin the due diligence process.

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



Secretary, Board of Directors

