

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 368

**Minutes of Meeting
Monday, December 8, 2008**

The Board of Directors (the "Board") of the Harris County Municipal Utility District No. 368 (the "District") met in special session, open to the public, at 6:30 p.m. on Monday, December 8, 2008 at the District's regular meeting place, Graceview Baptist Church, 25510 Tomball Parkway, Tomball, Texas, whereupon the roll was called of the members of the Board to-wit:

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| Roy P. Lackey | President |
| Tiffani C. Bishop | Vice President/Investment Officer |
| Sharon L. Cook | Secretary |
| Eric Daniel | Treasurer |
| Allison V. Dunn | Assistant Secretary |

All members of the Board were present. Also in attendance was: Mark Stendahl, P.E., consulting engineer; Jennifer Clark of Northern Point Homeowners Association ("HOA"); Heather Monteverde of Crest Management ("Crest"); Mike Moore of Junction Landscape; Trisha Taylor Farine of Daughtry & Jordan, P.C.; and Andrew P. Johnson, III and Joshua W. Golden of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB" or "Attorney").

The President, after finding that notice of the meeting was posted as required by law and determining that a quorum of the Board was present, called the meeting to order at 6:36 p.m. for such business as may properly come before the Board.

After introductions of all attendees, Mr. Moore reviewed the history of the Walking Trail Project with the Board and noted that the Board had some question as to whether or not the Project met the ADA standards. Mr. Moore stated that the Walking Trail was on private land and that the ADA can only give advice in instances where the construction is on public land. Discussion then ensued regarding ownership of the Detention Pond and whether or not the assertion that the Walking Trail was constructed on private property was accurate. Mr. Johnson explained that the HOA could possibly work out an arrangement with KB Homes for financial assistance to help construct and/or maintain the trail since KB's developer reimbursement is tied into the Detention Pond being accepted for purchase by the Texas Commission On Environmental Quality ("TCEQ").

The question then arose regarding connecting the path. Ms. Clark explained that the HOA's plan has always included a crossover path and common area off of Bold River Drive. Ms. Clark and Ms. Monteverde explained where the crossover path would be constructed. Ms. Monteverde then requested clarification as to what the HOA and District owns. Mr. Johnson explained the District reimbursement process through a developer reimbursement agreement. Mr. Johnson further explained that the District's 10th bond issue will be used to purchase remaining portion of the Detention Pond from KB Home, which is now owned by the HOA.

Mr. Johnson added that if KB cannot deliver clear title, the District cannot reimburse KB for the amount included in the bond application. At which time, Ms. Farine requested clarification as to the location of the track with respect to the Detention Pond and who must own the Detention Pond to receive reimbursement from the District.

Ms. Farine then asked what KB Homes had to say about the deed to the HOA, to which Ms. Monteverde responded that KB acknowledged that deeding the property to the HOA was a mistake. Ms. Farine then asked what the Detention Pond has to do with the Walking Trail. Mr. Johnson explained that the HOA did not have permission to construct the trail, so when the District's engineer noticed the construction and informed the Board, he issued a cease and desist letter to the HOA on behalf of the District. Mr. Johnson further explained that the District wants to ensure that the purpose and function of the Detention Pond is maintained and liability to the District reduced. Mr. Johnson added that the County will not approve the walking trail as designed.

Discussion then ensued regarding desilting of the Detention Pond. Director Lackey stated that KB has acknowledged that they need to desilt the pond. Ms. Farine then asked how desilting affects the trail. Mr. Johnson answered that desilting was an unrelated engineering matter, and it did not affect the trail's ultimate resolution.

Ms. Clark asked what are the trail requirements and how long before the trail will be completed. Director Lackey stated that the Board had requested at the prior meeting with the members of the HOA and Crest to see a landscape architect's rendition of the trail and that has not yet been provided to the District. Mr. Stendahl added that design of the trail is the HOA's responsibility and that the District's only concern is whether the design meets the District's needs. Mr. Moore then asked whether or not the District has a construction plan for the finished grading plan of the Detention Pond. Mr. Stendahl stated that Harris County must approve any design and ascertain whether such design will interfere with proper drainage.

Mr. Moore then inquired as to what maintenance obligations the Board would require and he further stated that the HOA has contracted with his company to maintain the Walking Trail for four (4) years. Director Bishop asked Mr. Moore how he could guarantee that the price for maintaining the Walking Trail will never increase or guarantee that some maintenance items will not get ignored. Director Dunn added that things can happen which you cannot predict. Ms. Clark responded that the HOA has sufficient reserves for maintaining the trail and it is unclear what the District requires of the HOA to satisfy its maintenance concerns. Mr. Johnson stated that he would like to review the deed restrictions, budget and recent audit of the HOA. Ms. Monteverde and Ms. Clark responded that the HOA has an annual budget of \$150,000. Mr. Johnson then stated that he would like to see the HOA have at least one year's budget in the bank.

Director Daniel then asked what happens if the make-up of the HOA Board changes and the new HOA Board doesn't feel that maintenance of the Walking Trail is a priority. Ms. Clark asked what the HOA could do to convince the District that they are committed to the Walking Trail. Director Bishop stated that at the previous meeting with the HOA and Crest, there was a discussion regarding the HOA placing a surety performance bond or setting aside money to

cover the costs of removal of the trail at a future date should the HOA fail to properly maintain the trail. Director Lackey added that the Board was also concerned that it would be setting a precedent if it were to maintain the trail should the HOA default. In such case, other subdivisions in the District will want recreational trails too and the Board does not want to go into the recreational business.

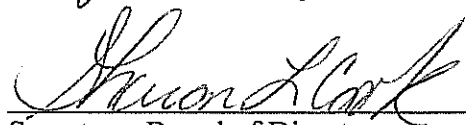
Ms. Farine then asked again what specifically the HOA must do to keep the trail. Mr. Stendahl responded that the minimum requirements by the District are as follows: (i) the HOA must submit a proposal for the Walking Trail from a qualified landscape architect; (ii) the District will then assess whether or not the Walking Trail will interfere with the function and maintenance of the Detention Pond and issue comments back to the HOA; (iii) the HOA will submit a revised plan incorporating the District's comments; (iv) the District will review any revisions to the plan; and (v) if the District approves the plans, they may then be carried out by the contractor.

Ms. Clark stated that it was unfair of the District to request plans without setting minimum standards. Mr. Stendahl responded that it was unfair of the HOA to request the District to nail down a set of requirements and Director Bishop agreed. Mr. Moore stated that the standards appear to be "eye of the beholder" and that such standards were too vague. The Board reached the consensus that the HOA should email construction plans to Mr. Stendahl. Ms. Monteverde then agreed to email the construction plans to Mr. Stendahl and JRPB. Ms. Farine, Ms. Monteverde, Ms. Clark and Mr. Moore departed the meeting at 7:55 p.m.

Director Lackey then opened discussion on an ancillary matter related to the detention pond and the HOA. Director Lackey then directed the Attorney to issue a letter to Woodmere regarding the unauthorized drainage of the 54.78 tract into the Northern Point Detention Pond. Mr. Johnson stated that he spoke with Woodmere regarding the situation and gave them heads up that a letter may be forthcoming from the District regarding the matter. Director Lackey then asked whether or not the Board should take a pro-active approach. Mr. Stendahl stated that Woodmere should stop the drainage, install silt fencing, fill up the ditches, and regrade the site bank back to its previous condition. Upon motion by Director Daniel, seconded by Director Lackey, after discussion and with all Directors present voting aye, the Board authorized the Attorney to write a demand letter to the Developer and Contractor stipulating the above terms.

There being no further business to come before the Board, upon motion by Director Cook, the President adjourned the meeting at 8:16 p.m.

Passed and approved this 8th day of January, 2009.


Secretary, Board of Directors

