

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
December 11, 2007

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on December 11, 2007 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

R. W. (Rick) Kehlenbach, President
Janet E. Frakes, Secretary
Kenneth W. Heussner, Asst. Secretary
Derek D. Drawhorn, Treasurer

and the following director absent:

Dave Simac, Vice President

Also present were Ms. Claudia Redden, representing the District's bookkeeper; Mr. Mark Ivy, representing the District's operator; Mr. Kelly Kessler and Dano Lozano, representing the District's engineer; Ms. Pat Hall, representing the District's tax assessor-collector; Mrs. JoVonna Hill and Mr. Martyn Hill, District residents; and Ms. Lori G. Aylett, attorney for the District.

The President called the meeting to order and declared it open for such business as might properly come before it.

1. Minutes of the meeting of November 13, 2007 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. The Board recognized JoVonna and Martyn Hill, who previously sent correspondence to the Board regarding their request for an easement. The Hills own 1.71 acres behind their home at 6410 Oak Masters. They are requesting access across the District's water plant site to reach their property. Mr. Hill stated that he is interested in buying land or acquiring an easement to alleviate the difficulty they have in accessing the acreage at the rear of their property. They also stated their interest in building a larger garage.

The District engineer, Mr. Kelly Kessler, discussed his correspondence and recommendations regarding this matter. Mr. Kessler reported that the District has an obligation to assure water quality and water safety. Any sort of geographic encroachment can result in water contamination. The southern area of the District's property is a storm water retention area for the water well site and for neighboring property. Furthermore, adjacent lot owners would be impacted directly by any disturbance resulting from traffic on the proposed driveway behind their lots. The acreage behind the Hills' home is not restricted and could be developed into something other than single-family residential construction. In fact, it had been rumored in the community that a construction business staging area had existed on that property. Mr. Hill responded and clarified that several years ago, he had repossessed some construction company

materials from a client and stored them temporarily on that site. He noted that he was not running a construction company from that site and had no plans to do so. The Board noted that there is an easement on Klein property that may be available for the Hills' use. The Hills stated that they would discuss that issue with Klein. Lori Aylett recommended that the Board deny the request because of the water quality issues. The Board also noted that they had received correspondence from some neighboring property owners who opposed the conveyance of District property for a road easement. After a complete discussion, the Board instructed the engineer to review the plats and give further information and recommendations at the next Board meeting.

3. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's taxes are 98.6% collected, and three checks were presented for the Board's review and approval. Ms. Hall reported that the 2002 annexation is on the tax roll. The Board declined to purchase an aerial photo of the District. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

4. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 91% of the water produced. The operator billed \$68,765.31 and collected \$73,025.09. The operator reminded the Board that the District has been providing water on a temporary basis for approximately 10 months to a new subdivision under construction in Bilma PUD. The operator for Bilma read the meters in that development, and the operator will send a bill to Bilma when the interconnect is finally closed. Upon unanimous vote, the operator's report was approved as presented.

5. Mr. Kelly Kessler presented an engineer's report, a copy of which is attached. The water plant no. 1 well rehabilitation escrow release application is still undergoing review by the Texas Commission on Environmental Quality. The preconstruction meeting for repainting water plant no. 2 was held on November 26, 2007. The contractor for Gulf States Protective Coatings has mobilized and begun construction. The engineer presented pay estimate no. 1 for the job in the amount of \$35,190. Mr. Kessler noted that the interconnect with Bilma PUD should be closed no later than January 2. Bilma's engineer is waiting for confirmation that the lines installed to serve its development had passed bacteriological testing.

The engineer reported that Storm Maintenance and Monitoring will clean the Cypress Trace storm ceptor unit today. The engineer then presented the Seven Pines office warehouse building utility commitment no. 108. The tract is within the District boundaries and will be developed as an office warehouse utilizing one equivalent single-family connection. After discussion, upon unanimous vote, the Board approved the engineering report as presented, pay estimate no. 1 to Gulf States Protective Coatings as presented, and issuance of utility commitment no. 108 as presented. The Board expressed its appreciation to the engineer for submitting his report via email. The Board members stated that they appreciated the opportunity to review all the materials in advance of the meeting.

6. The Board considered the proposal of Municipal Risk Management Group, LLC for an arbitrage rebate and/or yield restriction analysis. The Board reviewed the proposal in detail. In light of the presently declining interest rates, the Board deferred any action at this time.

7. The Board considered renewal of the District's insurance policies. The Board reviewed the renewal proposals of AquaSurance for the property, comprehensive boiler & machinery, commercial general liability, directors and officers liability, pollution liability, public employee blanket bond, director position schedule bond, and tax assessor-collector bond. Upon unanimous vote, the Board renewed the insurance proposals as presented.

8. The Board discussed the interconnect agreement with Harris County Municipal Utility District No. 24. The attorney noted that the previous agreement had expired by its own terms in February of 2007. According to the District operator, the physical interconnect still exists. While the District does have a separate interconnect agreement with Bilma, it would be advantageous for the District to have as many interconnect agreements as possible. Upon unanimous vote, the Board authorized the attorney to direct correspondence to Harris County MUD 24 to request that they begin negotiations for a new interconnect agreement.

9. Lori Aylett presented a proposal for legal services from Smith, Murdaugh, Little & Bonham, L.L.P. Upon unanimous vote, the Board approved the contract as presented and authorized the President to execute multiple copies.

10. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

11. Under pending business, Mr. Kelly Kessler reported that this would be his last meeting with the District as a representative of Cobb Fendley & Associates. He is leaving the engineering firm to go to work for a contractor. He expressed his appreciation for the opportunity to work with the Board of Directors, and the Board wished him well.

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

Secretary