

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
January 8, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on January 8, 2008 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; Ms. Pat Hall, representing the District's tax assessor-collector; Mr. Mark Ivy, representing the District's operator; Mr. Dano Lozano, representing the District's engineer; 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 December 11, 2007 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2006 taxes are 98.6% collected, and 2007 taxes are 16% collected. Five checks were presented for the Board's review and approval. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

3. There was presented the attached Order Reaffirming Adoption of Residence Homestead Exemption for Persons 65 or Older or Disabled. The attorney reported that pursuant to the Texas Constitution, the District may provide an exemption from taxation for residence homesteads of persons 65 years or older or disabled. The Board stated its desire to offer an exemption from taxation of \$25,000 as in years past, and the attached order reflecting same was presented. Upon motion duly made, seconded and unanimously carried, the Board voted unanimously to approve the order as presented.

4. The Board considered the attached Order Engaging Delinquent Tax Attorney and Levying Additional Penalty for Delinquent Taxes. The attorney noted that the law now allows the early levy of additional penalties on certain business personal property accounts. With the adoption of the Order, penalties on those accounts could be levied as early as April 1. The attorney noted that the penalty on remaining real property accounts would be levied on 2007

taxes that remain delinquent on July 1, 2008. The proceeds of the penalties are used to offset the costs of engaging Smith, Murdaugh, Little & Bonham, L.L.P. to collect the delinquent taxes. Upon motion duly made, seconded and unanimously carried, the Board voted unanimously to adopt the attached order as presented.

5. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 93% of the water produced. The operator billed \$63,310.64 and collected \$64,329.13. Two write-offs were presented for the Board's review and approval. The Board authorized writing off the accounts and sending them to collections. Some tap line repairs were made during the month, and one tap was installed. The water plant has been shut down for repairs and painting. Graffiti artists have painted the lift station fence, and the only cost-effective way to repair is by painting over it. The Board authorized the operator to repaint the fence to a cedar color. Upon unanimous vote, the operator's report was approved as presented.

6. Mr. Dano Lozano presented an engineer's report, a copy of which is attached. The escrow release package for the water well no. 1 rehabilitation work is still pending at the Texas Commission on Environmental Quality. The repainting project at water plant no. 2 is ongoing. There have been a couple of minor complaints about noise related to sandblasting. The project should be complete by Wednesday. The engineer reviewed and made a recommendation to pay Pay Estimate No. 2 and Change Orders No. 1 and 2. Upon unanimous vote, the Board approved the payment estimate and change orders as recommended by the engineer.

On January 14, 2008, the District will close the interconnect with Bilma and do a final billing for the water use. The Cypress Trace storm captor has been cleaned, and the District is waiting for a bill.

The engineer addressed the request by Mr. and Mrs. Martyn Hill to grant an access easement across the District's water plant site. The District engineer recommended against conveyance of the easement. The easement would, by definition, increase traffic within the site and within the sanitary control easement surrounding the well head. This would make the site more vulnerable to dumping, vandalism and other risks. In addition, drainage would be impacted, since the requested access is reserved for detaining storm water runoff and providing detention for the entire water plant site. Also, the District will have to convert to surface water, and no changes to the site should be made. After discussion, upon unanimous vote, the Board concurred with the recommendation of the engineer and the previous recommendation made by the attorney not to grant the access easement. The Board authorized the attorney to direct correspondence to the Hills informing them of the Board's decision.

The engineer reported that he will soon be meeting with representatives of the North Harris County Regional Water Authority to determine the placement of the water line that will bring surface water to the District.

7. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. Bammel has requested another capital improvement deposit for 2008. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

8. The attorney reported that MUD 24 has agreed in principle to a new interconnect agreement with the District. The attorney has forwarded an initial draft to the operator and engineer for their review. The Board authorized the attorney, operator and engineer to complete the draft of the interconnect agreement for the Board's review at the next meeting.

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

Secretary