

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
January 13, 2009

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on January 13, 2009 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

R. W. (Rick) Kehlenbach, President
Dave Simac, Vice President
Janet E. Frakes, Secretary
Derek D. Drawhorn, Treasurer

and the following directors absent:

Kenneth W. Heussner, Asst. Secretary

Also present were Mr. Mark Ivy, representing the District's operator; Ms. Pat Hall, representing the District's tax assessor-collector; Mr. Shawn Sharkey and Mr. Dale Conger, representing the District's engineer; Ms. Claudia Redden, the District's bookkeeper; 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 9, 2008 were presented for the Board's review and approval. The Board had one correction to the minutes, and upon motion duly made, seconded and unanimously carried, the minutes were approved as corrected.

2. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 92% of the water produced during the month of December. The District billed \$61,330.51 and collected \$76,205. Several general repairs were made in the District, and a commercial tap was installed at Mike's Copy Shop. After discussion, upon unanimous vote, the operations report was approved as presented.

3. The Board reviewed a request from Atlas Sign for a consent to encroachment in the District's easement on Louetta Road. Atlas Sign has requested permission to construct a large shopping center sign on eight-foot piers in the sewer easement. Dale Conger suggested that the operator be given the authority to review the proposed location and mark the District's line. The District can grant a consent to encroachment if the plans are acceptable, and the Board suggested that the attorney obtain a \$1,000 retainer to cover the District's costs. Upon motion duly made, seconded and unanimously carried, the Board authorized the engineer, operator and attorney to review and draft the consent to encroachment to Atlas Sign.

4. The Board discussed the right-of-way and easement agreement requested by North Harris County Regional Water Authority. The right-of-way would allow the construction of the surface water transmission line. The Authority commissioned an independent

appraisal, and the value of the easement was \$12,932. The Board approved the grant of the right-of-way subject to receipt of payment of the appraised value.

5. The Board discussed solutions to the fence encroachment issues at the District's lift station. Mark Ivy reported that he had investigated the site, and it is possible for the District to remove the section of concrete fence that is encroaching on Ms. Kannarr's property without tearing the entire fence down. After that segment is removed, the old chain link fence can be taken down and replaced on the property line. As for the fence bordering Mr. Scott's property, it can be painted all one color to match the existing fence. Once the fence work is complete, the drainage improvements that were previously approved can be made. Upon motion made by Director Simac, seconded by Director Frakes, the Board voted unanimously to make the fence adjustments as discussed above.

6. Ms. Pat Hall presented a tax assessor-collector's report, a copy of which is attached. The District's 2007 taxes are 98.2% collected, and 2008 taxes are 20% collected. Four checks were presented for the Board's approval. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

7. 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 made by Director Simac, seconded by Director Drawhorn, the Board voted unanimously to approve the order as presented.

8. The Board considered the attached Order Engaging Delinquent Tax Attorney and Levying Additional Penalty for Delinquent Taxes. The attorney noted that the law 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 2008 taxes that remain delinquent on July 1, 2009. 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 made by Director Drawhorn, seconded by Director Frakes, the Board voted unanimously to adopt the attached order as presented.

9. Mr. Dale Conger presented the engineer's report and reported that planning and preparation for the chloramines conversion continues. The well rehabilitation work appears to have salvaged the well, which can be used to assist with peak water production after the surface water conversion. The contractor is continuing to work on finalizing the well development, and the test pump is still down in the hole. The District has spent \$31,015 on well agitation, and the total expenditures to date are \$213,435, or 62% of the total contract price. The District applied for release of escrow of a total of \$495,000 for this project and a repainting project, so there are still funds available.

The District engineer filed a Notice of Interest to try to obtain grant funding for a generator from FEMA's Hazard Mitigation Program.

The engineer was contacted by Carlton Strack who is interested in purchasing 3.5 acres north of LaFone Estates. The purchaser is interested in developing a restaurant on the site, which is located within the District. Upon unanimous vote, the engineer's report was approved as presented.

10. The Board reviewed a cost summary for a bond application report. The engineer stated that he is hoping to have a draft of the bond application report to review by the month's end. The projects include the chloramines conversion at both plants and the Bammel capital contributions for 2009-2010. The financial advisor is currently recommending an interest rate of 8% for use in the cost summary. The attorney requested that the engineer complete a draft of the front sections of the bond application report as soon as possible. The engineer can begin assembling the attachments while the financial advisor and attorney review the body of the report.

11. Ms. Claudia Redden presented the bookkeeper's report, a copy of which is attached. After discussion, upon unanimous vote, the Board approved the bookkeeper's report and payment of bills listed thereon.

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

Secretary