

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
March 11, 2008

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on March 11, 2008 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

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

and the following directors absent:

Dave Simac, Vice President
Janet E. Frakes, Secretary

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; Ms. Jill Henze, representing the District's auditor; 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 February 12, 2008 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 2007 taxes are 91.1% collected. Nine checks were presented for the Board's review and approval. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

3. Mr. Mark Ivy presented an operations report, a copy of which is attached. The District accounted for 92% of the water produced. The operator billed \$66,475.14 and collected \$58,430.39. The operator had to repair transfer switches at the water plant. Mr. Ivy is investigating the cost and feasibility of installing a metering device at the lift station. It will cost at least \$10,000 for equipment alone, and the facilities would have to be installed underground. An engineer will be needed to make sure a good cost estimate is obtained. The north water plant is back on line, and there was a brief flurry of water quality calls when it was restored to service. The operator will discuss write-offs at next month's meeting. Upon unanimous vote, the operator's report was approved as presented.

4. Mr. Dano Lozano presented an engineer's report, a copy of which is attached. Mr. Lozano reported that the TCEQ approved the District's request for release of funds from escrow. The engineer reported that the well needs to be pulled, and painting and drainage

work need to be done. It would be advisable to bid these projects separately as different kinds of contractors are used for the different types of work. The engineer reported that the estimated cost for all the work is \$259,050, and the Board authorized the engineer to advertise for bids. Water plant no. 3 is complete, and change order no. 3 (door replacement) in the amount of \$500 will be deducted from the total to be paid to the contractor.

Mr. Lozano had discussions with the Bammel waste treatment plant engineer regarding the capital contribution requested from Bammel. In Mr. Lozano's opinion, Bammel will have to rely upon these capital payments in perpetuity. The plant is older, and by the time the contemplated repairs are made, there will be other repairs necessary to keep the plant in good operations. Mr. Lozano has been placed on the contact list to be kept abreast of the developments at the plant. In December, the Bammel wastewater treatment plant calculated equivalent single-family connections of all the participants. The District has 17.7065% of flow, based upon these connections. The District owns 18% of the Bammel plant. Mr. Lozano has requested re-evaluation of flow data every six months from the Bammel engineer.

5. The Board considered a monitoring and reporting contract with Storm Maintenance & Monitoring. Pursuant to this agreement, the contractor will maintain the storm ceptor in the Cypress Trace subdivision as required by the District's permit. Upon unanimous vote, the contract was approved as presented.

6. The attorney reported on the status of the interconnect agreement with Harris County MUD 24. That district has not yet considered the contract.

7. There was presented the attached Order Authorizing Use of Surplus Funds. The attorney noted that the painting project at the well has now been completed, and change orders resulted in additional expenditures of \$9,550. It is an appropriate use of surplus funds to pay the amount of the change orders. Upon unanimous vote, the Board adopted the order as presented.

8. Ms. Jill Henze of Breedlove and Company, P.C. presented an audit of the District's books and records for the fiscal year ended November 30, 2007. The auditor is issuing an unqualified opinion with respect to the District's books and records. The auditor does review as a matter of course the Bammel waste treatment plant expenditures and categorizes expenses and capitalized costs. In response to a question from the Board, the auditor noted that the District passes along the charges of the North Harris County Regional Water Authority to District customers and adds a 19% administration fee. The auditor discussed the SAS No. 112 disclosure in the management letter. Because none of the District Board members have financial or accounting expertise, they must engage consultants to provide these services on the District's behalf. This lack of financial oversight capability is reflected as a possible material weakness in the District's financial statements. Virtually every water district in the Houston area has an identical disclosure because districts typically use consultants to provide this expertise. The Board members acknowledged the disclosure and noted that there were no other procedures necessary to address that matter. After a complete review, upon unanimous vote, the Board approved the audit of Breedlove and Company for the fiscal year ended November 30, 2007 and authorized its filing as required by law. The Board further authorized the attorney to make the continuing disclosure filing required by law.

9. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. The Board commented that the general fund balance is currently over \$500,000, and those funds would be available in case of emergencies. The Board was pleased to have a reserve fund in place and noted that it would be wise fiscal policy to continue to maintain it, if possible. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

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

Secretary