

SPRING CREEK FOREST PUBLIC UTILITY DISTRICT

Minutes of Meeting of Board of Directors
November 13, 2007

The Board of Directors ("Board") of Spring Creek Forest Public Utility District ("District") met at 1100 Louisiana Street, Suite 400, Houston, Texas, on November 13, 2007 in accordance with the duly posted notice of the meeting, with a quorum of directors present, as follows:

R. W. (Rick) Kehlenbach, President/Asst. Investment Officer
Dave Simac, Vice President
Janet E. Frakes, Secretary
Kenneth W. Heussner, Asst. Secretary
Derek D. Drawhorn, Treasurer

and the following director absent:

None

Also present were Ms. Claudia Redden, representing the District's bookkeeper; Mr. Mark Ivy, representing the District's operator; Mr. Kelly Kessler, representing the District's engineer; Ms. Pat Hall, representing the District's tax assessor-collector; Mr. Al Pardoe and Mr. Kent McGaughy, District developers; 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 October 9, 2007 were presented for the Board's review and approval. Upon unanimous vote, the minutes were approved as presented.

2. The President convened a public hearing on the proposed 2007 tax rate. The tax assessor-collector confirmed publication of a notice regarding the public hearing. Mr. Pardoe commented during the public hearing that he has only 1.6 acres left to develop in the District. The developers did not have any comments related to the tax rate. There were no other members of the public present at the hearing to give comment on the tax rate, so the President then closed the public hearing.

3. There was presented the attached Order Accepting Appraisal Roll and Setting a Debt Service and Maintenance Tax for 2007. The order reflected a debt service tax rate of \$0.32 per \$100 assessed valuation, and a maintenance and operations tax of \$0.15 per \$100 assessed valuation. Upon unanimous vote, the order was adopted as presented.

4. There was presented the attached Amendment to Statement of Directors Furnishing Information Required by Section 49.455(b), Texas Water Code, as amended. The attorney noted that this amendment was required to be filed in the real property records of Harris County to notify taxpayers and purchasers of property in the District of the most recent tax rate of the District. Upon unanimous vote, the Board approved the amendment as presented,

authorized execution of multiple originals by each Board member present, and authorized the attorney to file the document as required by law.

5. There was presented the attached Resolution Adopting Operating Budget for the Fiscal Year Ending November 30, 2008. The Board reviewed the operating budget with the bookkeeper in detail, and upon unanimous vote, the resolution was adopted as presented.

6. The Board noted the necessity to engage an auditor to audit the books and records of the District for the fiscal year ending November 30, 2007. The Board reviewed the proposal of Breedlove & Company to perform the audit as required by the rules of the Texas Commission on Environmental Quality. The auditor proposed a fee range of \$5,800 to \$6,200. Upon unanimous vote, the Board engaged Breedlove & Company to prepare the audit.

7. Mr. Kelly Kessler presented an engineer's report, a copy of which is attached. The escrow release application for the water plant no. 1 well rehabilitation, paint work and storm sewer project has been forwarded to the Texas Commission on Environmental Quality. The Commission has declared it administratively complete, and the application is currently undergoing technical and peer review.

On construction projects, the engineer noted that the Board had previously authorized award of the contract for repainting of water plant no. 2 to Gulf State Protective Coatings based upon their bid of \$159,500. The engineer presented contracts for the Board's signature, and the engineer will prepare a notice to proceed after reviewing the contractor's construction schedule. On the Bilma PUD utility extension project for Cypress Trace, Section 2, the contractor has completed the water line installation and pressure testing and is awaiting the results of the bacteriological tests. The engineer for that project, Jones & Carter, anticipates final acceptance of the water line by the end of November.

Under general correspondence, the engineer received a request from the engineers for the Bammel Utility District regional wastewater treatment plant for information on equivalent single-family connections within the District. The engineer has responded as requested.

The engineer also presented a proposal from Glenn Woodson of Storm Water Maintenance & Monitoring regarding the Cypress Trace storm receptor unit. Storm Water Maintenance & Monitoring is recommending immediate clean-out of the unit, and the Board authorized the work to be performed.

The engineer reported receipt of an inquiry regarding a car lot in the District that may become a sales lot. The tax assessor will investigate to determine that this property is on the tax roll and that the District is receiving taxes. Upon unanimous vote, the engineer's report was approved as presented.

8. There was presented the attached Order Authorizing the Use of Surplus Funds. The attorney noted that the District recently bid the project and awarded a contract for repainting of water plant no. 2 in the amount of \$159,500. The District only had bond proceeds of \$71,500 to pay for the project. The District has available surplus funds and therefore determined that it would be appropriate to use those funds for this project. Upon unanimous

vote, the Board adopted the order as presented for release of \$88,000 of surplus funds for repainting water plant no. 2.

9. 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. Upon unanimous vote, the tax assessor-collector's report was approved as presented.

10. 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 \$69,963 and collected \$79,465. The water plant was in good working order. The Board briefly discussed a large bill for repair of a lift station, and the operator explained the necessary repairs. Upon unanimous vote, the operator's report was approved as presented.

11. Ms. Lori Aylett presented a proposed contract for legal services with Smith, Murdaugh, Little & Bonham, L.L.P. She welcomed the Board to the attorney's offices and stated that she was very glad for the opportunity to serve as legal counsel for Spring Creek Forest Public Utility District. She asked that the Board review her firm's contract and return to the next meeting with any questions.

12. Ms. Claudia Redden presented a bookkeeper's report, a copy of which is attached. She noted that there was nothing out of the ordinary to report. After review, the Board voted unanimously to approve the bookkeeper's report as presented and authorized payment of the bills listed thereon.

13. Under pending business, the attorney presented draft copies of the District registration pages for the Board's review and approval. She asked the Board members to confirm that the addresses reflected on the registration page were accurate, and the Board provided her with the information. The attorney also presented Open Government Training DVDs for the Board's convenience in complying with the required Open Meetings and Public Information Act training. The attorney reported receipt of correspondence from Martyn and Jo Vonna Hill requesting use of the District's water plant area as an access easement to serve the rear of the Hills' property. The attorney noted that the request was received too late to put on the November agenda. The Board agreed to place the item on the December agenda for review. The attorney also noted that in her review of the District's records, it appears that the District's interconnect agreement with Harris County MUD 24 had, by its own terms, expired. The attorney will place an item on the next agenda for the Board to consider whether it wants to attempt to renegotiate a new agreement with MUD 24.

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

Secretary