

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 249

Minutes of Meeting of Board of Directors
December 20, 2007

The Board of Directors ("Board") of Harris County Municipal Utility District No. 249 ("District") met in regular session at the Board's regular meeting place on December 20, 2007, in accordance with the duly posted notice of regular meeting thereof, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

Douglas Haude, President
Dwight Rumph, Vice President
Edward L. Wade, Secretary
Norman C. Adamek, Assistant Secretary

and all of said persons were present, except Director Adamek, thus constituting a quorum.

Also present were Asim Tufail of Van De Wiele Engineering Incorporated ("VEI"), Gary Hastings of SWWC Services, Inc. ("SWWC"), Teresa Rosenbaum of Municipal Accounts & Consulting, L.P. ("MA&C"), Sissie Lawson of Wheeler & Associates, Inc. ("Wheeler"), A.J. Sullivan of Sam Yager Incorporated ("SYI"); Patsy Waldrop of BKD, LLP ("BKD"); Deputy Ron Hamlett, Lieutenant Jesse Inocencio and Chief Deputy Danny Billingsley of the Harris County Sheriff's Office ("HCSO"), and Daniel Ringold of Schwartz, Page & Harding, L.L.P. ("SPH").

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

APPROVAL OF MINUTES

The Board first reviewed the minutes of its meeting held on November 15, 2007. After discussion, Director Rumph moved that the November 15, 2007, minutes be approved, as written. Director Wade seconded the motion, which carried unanimously.

COMMENTS FROM THE PUBLIC

The Board next deferred consideration of comments from the public, as none were presented.

DISTRICT SECURITY ISSUES

The Board next considered the report on District security issues. Mr. Ringold distributed the Harris County Sheriff's Office's call sheet summary for November 2007, a copy of which is attached as Exhibit A. Deputy Hamlett noted that one (1) suicide occurred during the month of November and that no other abnormal activities occurred.

Deputy Hamlett next voiced his continuing concern with the security of the 911 call boxes at the entry gates, but also noted that those are matters that should be handled by the Spring Lakes Homeowners Association ("HOA").

Mr. Ringold next reminded the Board that, at last month's meeting, the Board approved a renewal Law Enforcement Agreement with the Harris County Sheriff's Department for calendar year 2008 and authorized SPH to prepare and send correspondence to the HOA inquiring whether the HOA would be interested in assuming that contract, with the understanding that the District will provide the HOA with the necessary funds to make the monthly payments, provided that the contract deputy continues to regularly patrol and secure the District's sites and facilities. Mr. Ringold advised that SPH did prepare and forward that correspondence to the HOA on November 16, 2007, and instructed the HOA to advise SPH should it so desire to assume the contract. Mr. Ringold noted that, to date, SPH had not received any formal response from the HOA to such correspondence, but that he had been contacted by telephone by Mr. Bill Graham, who advised that there was some confusion on behalf of the HOA with regard to the District's inquiry regarding transfer of the Law Enforcement Services Agreement and requested that Mr. Ringold forward him an additional copy of the November 16, 2007, correspondence and the draft minutes of the previous board meeting, to which SPH complied. Lieutenant Inocencio and Chief Deputy Billingsley next addressed the Board regarding the Law Enforcement Services Agreement and the administration of same. Lieutenant Inocencio advised the Board he had a meeting a few days prior with Director Adamek regarding same. There next ensued a conversation regarding establishing a standard protocol for the dissemination of any information regarding the Law Enforcement Services Agreement. The Board requested that all communications regarding the security of any District facilities be directed to the District's operator and that all other communications regarding the Agreement be directed to the District's attorney. Lieutenant Inocencio and Deputy Hamlett concurred with such protocol. The Board also requested that Deputy Hamlett begin attending the Board's meetings on a monthly basis, to which he agreed.

Deputy Hamlett, Lieutenant Inocencio and Lieutenant Billingsley exited the meeting at this time.

FUNDING OF PRELIMINARY ENGINEERING FEES

Mr. Tufail next advised the Board that, with respect to certain preliminary engineering fees incurred by developers of the District and submitted for reimbursement pursuant to the terms of the applicable utility development agreement, he had reviewed the invoices for such fees, the underlying engineering reports, and the rules of the TCEQ with respect to the reimbursement of same, and, based upon such review, recommends that the Board authorize reimbursement for such costs in accordance with the spreadsheet attached hereto as **Exhibit B**. Ms. Waldrop then presented and reviewed with the Board a reimbursement audit report prepared by BKD, an independent certified public accounting firm, in connection with the District's payment for said preliminary engineering fees, a copy of which is attached hereto as **Exhibit C**, and the disbursement of said funds in accordance with same. Ms. Waldrop reviewed in detail with the Board a draft audit report in connection with the payment of funds to Houston Area Development Corporation and Forestar (USA) Real Estate Group, Inc. After review and discussion of the report submitted, it was moved by Director Wade, seconded by Director Rumph and unanimously carried that the developer reimbursement audit report prepared by BKD in connection with the District's payment for preliminary engineering fees from legally available surplus funds, be approved and that the Board authorize the disbursement of the funds in accordance with and as set forth in the audit report, subject to receipt of executed receipts for same from those receiving funds.

ENGAGEMENT OF AN AUDITOR FOR PREPARATION OF AUDIT FOR THE DISTRICT'S FISCAL YEAR ENDING DECEMBER 31, 2007

The Board next considered the engagement of an auditing firm to conduct an audit of the District's records for the fiscal year ending December 31, 2007. Ms. Waldrop made a presentation to the Board on behalf of BKD to provide such auditing services, and advised that BKD has estimated a the fee for preparation of the District's 2007 audit of to be \$13,300 plus expenses, and \$1,800 for the audit of the joint sewage treatment plant account, plus expenses. She further advised the Board of an additional estimated fee of \$2,000 to \$3,000 to cover the work associated with Statement on Accounting Standards No. 104 ("SAS 104") and discussed same with the Board. After discussion on the matter, Director Haude moved that BKD be engaged to conduct the audits of the District and the joint sewage treatment plant account for the fiscal year ending December 31, 2007, and that the President be authorized to execute BKD's engagement letter, a copy of which is attached hereto as

Exhibit D, on behalf of the Board and the District. Director Rumph seconded said motion, which unanimously carried.

ACCEPTANCE OF QUALIFICATION STATEMENT, BOND, OATH OF OFFICE, AFFIDAVIT OF CURRENT DIRECTOR AND ELECTION NOT TO DISCLOSE CERTAIN INFORMATION OF NEW DIRECTOR

The Board next considered the acceptance of the Statement of Appointed Officer, Bond, Oath of Office and Affidavit of Current Director of Willie Hodge. Mr. Ringold noted that Mr. Hodge was unable to attend today's meeting. After discussion on the matter, it was moved by Director Wade, seconded by Director Haude and unanimously carried that the Board approve the Bond, accept the Oath, Statement of Appointed Officer and Affidavit of Current Director and declare Willie Hodge to be a duly appointed and qualified Director of the District, subject to receipt of the executed documentation.

TRAINING REQUIREMENTS

The Board next deferred discussion regarding training requirements for Directors pursuant to the Texas Open Meetings Act and the Texas Public Information Act and the procedures for compliance with same.

TAX ASSESSOR-COLLECTOR'S REPORT

Ms. Lawson next presented and reviewed with the Board the tax assessor-collector's report dated as of November 30, 2007, including the checks presented for payment from the tax account, as listed therein, historical valuation and collection data, and a Delinquent Collections Listing as of November 30, 2007, copies of which are attached hereto as Exhibit E. After discussion of the tax assessor-collector report, Director Wade moved that said report be approved and that the checks identified therein be approved for payment. Director Rumph seconded said motion, which carried unanimously.

Ms. Lawson additionally presented and reviewed with the Board a Delinquent Tax Collections Report, dated December 20, 2007, prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax collection attorneys, a copy of which is attached hereto as Exhibit F. Ms. Lawson noted that no Board action was required at this time with respect to the accounts listed in such report.

Ms. Lawson exited the meeting at this time.

BOOKKEEPER'S REPORT

Ms. Rosenbaum next presented and reviewed with the Board the bookkeeper's report dated December 20, 2007, including (i) the checks presented for payment from the General Operating Fund, Capital Projects Fund and the Sewage Treatment Plant Account, (ii) a Fund Balance Report, (iii) a Pledged Securities Report, (iv) an Actual vs. Budget Comparison for November 2007 for the Operating Fund and the STP Account, and (v) a Debt Service Payments Schedule, copies of which are attached hereto as **Exhibit G**. Ms. Rosenbaum then presented for approval two (2) wire transfers to Forestar (USA) Real Estate Group, Inc. in the amount of \$43,975.61 and Houston Area Development Corporation in the amount of \$37,327.72, respectively, relative to the District's payment of various preliminary engineering fees for various construction projects from legally available surplus funds. After discussion on the matter, it was moved by Director Rumph that the bookkeeping report be approved and that the various checks identified therein be approved for payment, except for check nos. 3651 and 3652, which were voided, and additionally that the wire transfers to Forestar (USA) Real Estate Group, Inc. and Houston Area Development Corporation be approved. Director Wade seconded the motion, which carried unanimously.

OPERATING BUDGETS

Ms. Rosenbaum next reviewed with the Board the changes made to the proposed budgets for the District's General Operating Fund and the Sewage Treatment Plant for the fiscal year ending December 31, 2008, from the draft budgets presented at the Board's last meeting. After discussion on the matter, Director Haude moved that the Board approve the Operating and Sewage Treatment Plant budgets for the fiscal year ending December 31, 2008, as presented. Director Rumph seconded said motion, which carried unanimously.

ARBITRAGE COMPLIANCE MATTERS

Mr. Ringold next presented and reviewed with the Board Yield Restriction and Arbitrage Rebate Report prepared by Arbitrage Compliance Specialists, Inc. ("ACS") relative to arbitrage compliance issues in connection with the District's outstanding \$5,200,000 Unlimited Tax Bonds, Series 2002. Mr. Ringold informed the Board that said Report indicates that no yield reduction payment is due at this time.

ENGINEERING REPORT

Mr. Tufail next presented and reviewed with the Board a written engineering report dated December 20, 2007, a copy of which

is attached hereto as Exhibit H, relative to the status of various projects within the District. Mr. Tufail provided additional information concerning the following matters:

Mr. Tufail next reminded the Board that, as discussed at last month's meeting, a bar screen failure occurred at the Sewage Treatment Plant. He further reminded the Board that said bar screen has previously been repaired twice, but that this time it was damaged beyond repair. Mr. Tufail then presented and reviewed with the Board a Headworks Rehabilitation Alternatives Analysis, a copy of which is included with the engineering report. After discussion on the matter, Director Wade moved that VEI be authorized to install an Aqua Guard at the Sewage Treatment Plant at a cost of \$155,000. Director Haude seconded the motion, which carried unanimously.

Mr. Tufail next presented and reviewed with the Board photographs of the outfall ditch located in Spring Lakes, Section 15, copies of which are attached hereto as Exhibit I, and informed the Board that a resident contacted the Harris County Flood Control District ("HCFCD") regarding a sink-hole. Mr. Tufail further informed the Board that the HCFCD advised VEI that said ditch is a District facility and, therefore, it is the District's responsibility to repair the sink-hole. Mr. Tufail noted that he will prepare a cost estimate relative thereto for the Board's consideration at next month's meeting.

RENEWAL OF DISTRICT WASTE DISCHARGE PERMIT

The Board next considered the status of the District's application to the TCEQ for the renewal of the District's Waste Discharge Permit due to expire February 1, 2008. Mr. Tufail advised the Board that VEI is awaiting the final Permit from the TCEQ.

SMALL MUNICIPAL SEPARATE STORM SEWER SYSTEMS GENERAL PERMIT

The Board next considered the approval of a proposal from Storm Water Solutions, LP ("SWS") relative to the preparation of a Storm Water Management Plan ("SWMP") and the filing of a Notice of Intent ("NOI") with the TCEQ for permit coverage under its TXR040000 general permit for storm water discharges associated with small municipal separate storm sewer systems ("MS4s"). Mr. Tufail then presented and reviewed with the Board a Phase II Shared Storm Water Management Plan Proposal ("Proposal") from SWS, a copy of which is attached hereto as Exhibit J, and requested that the Board consider engaging SWS to prepare a SWMP and a NOI for approval at the District's next meeting. Mr. Tufail noted that the SWS' cost for the preparation of said SWMP and NOI will be billed on an hourly basis, not to exceed \$10,000. After discussion on the

matter, Director Haude moved that the Board engage SWS to prepare a SWMP and a NOI for the Board's approval at its next meeting, at a cost not to exceed \$10,000. Director Wade seconded the motion, which carried unanimously.

OPERATIONS AND MAINTENANCE REPORT

The Board next considered the Operations and Maintenance Report. Mr. Hastings presented and reviewed in detail with the Board a written Operations Report for November 2007, a copy of which is attached hereto as **Exhibit K**.

Mr. Hastings next presented and reviewed with the Board a Water Well No. 1 Performance Test Report from G-M Services, a copy of which is included with the Operations Report. Mr. Hastings noted that said Report indicates that the production rate has declined since the last test performed and that G-M is recommending that an additional test be performed within the next several months to determine if there is a steady decline. No action was taken by the Board at this time.

ISSUANCE OF UTILITY COMMITMENTS

The Board next deferred action regarding the issuance of utility commitments since no requests for same had been received by the District.

DEVELOPER'S REPORT

The Board next considered the developer's report. Mr. Sullivan advised the Board that Reserve C of Spring Falls, Section One had been conveyed to the Spring Falls Homeowners Association.

ATTORNEY'S REPORT

Mr. Ringold next presented and reviewed with the Board a The Champions Way newsletter from Champions Hydro-Lawn, Inc., a copy of which is attached hereto as **Exhibit L**.

Mr. Ringold next presented and reviewed with the Board a brochure received from the Texas Water Development Board regarding Solicitation of Project Information Inclusion in the Fiscal Year 2009 Clean Water State Revolving Fund Intended Use Plan, a copy of which is attached hereto as **Exhibit M**.

**DISCUSSIONS WITH HARRIS COUNTY WATER CONTROL AND IMPROVEMENT
DISTRICT NO. 110 REGARDING JOINT DRAINAGE FACILITIES**

Director Haude advised the Board that he had nothing new to report at this time.

ADJOURN

There being no further business to come before the meeting, upon motion made by Director Rumph seconded by Director Wade and carried unanimously, the meeting was adjourned.

Secretary

LIST OF ATTACHMENTS TO MINUTES

- Exhibit A - District Security Report
- Exhibit B - VEI spreadsheet
- Exhibit C - Reimbursement Audit
- Exhibit D - BKD engagement letter
- Exhibit E - Tax Assessor-Collector's Report
- Exhibit F - Delinquent Tax Report
- Exhibit G - Bookkeeper's Report
- Exhibit H - Engineer's Report
- Exhibit I - Photographs of outfall ditch located in Spring
Lakes, Section 15
- Exhibit J - Phase II Shared Storm Water Management Plan
Proposal
- Exhibit K - Operator's Report
- Exhibit L - The Champions Way newsletter
- Exhibit M - Brochure from Texas Water Development Board