

**MINUTES OF MEETING
KLEINWOOD MUNICIPAL UTILITY DISTRICT
HARRIS COUNTY, TEXAS**

January 24, 2008

STATE OF TEXAS
COUNTY OF HARRIS

The Board of Directors (the "Board") of Kleinwood Municipal Utility District (the "District") of Harris County, Texas, met in **regular** session, open to the public, on **Thursday, January 24, 2008**, at 6:00 p.m. at the District Office, 16530 Kleinwood Drive, Spring, Texas, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Joe Fratangelo	President
Stephen E. Williams	Vice President
Vic Fowler	Secretary/Treasurer
Robert Ehmann	Assistant Vice President & Assistant Secretary
Sherry Allard	Assistant Secretary

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

Also present were: Jon Unterreiner, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Brent Broadway of SWWC Services Inc./Southwest Water Company ("Southwest"), Operator for the District; Sara Ahlschlager with Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Roger Schuett, Office Manager; Abraham Valle with Harris County Precinct 4 Constable's Office; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Fred Jones representing Cypress Forest Public Utility District; Maria S. Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and Bernie Bryl, a resident of the District.

The President called the meeting to order in accordance with notice posted pursuant to law, and the following business was transacted.

PEACE OFFICER'S REPORT

The President recognized Deputy Valle, who presented the Peace Officer's Report, a copy of which is attached hereto.

DEVELOPMENT OF CHAMPION FALLS ESTATES, CHAMPION WOODS ESTATES, THE FALLS AT CHAMPION FOREST (herein collectively, the "Falls")

The President recognized Mr. Lightfoot, who reported on development in the Falls. A copy of the Development Report for the Falls as prepared by Lightfoot is attached hereto.

HEAR FROM PUBLIC

Next, the President recognized Mr. Bryl, who addressed the Board regarding (1) matters relating to the recently enacted increase in the rate charged to the District's residents for water service; and (2) certain administrative problems relating to the bills sent to the District's customers for utility service during the most recent billing cycle.

ATTORNEY'S REPORT

The President recognized Ms. Parker, who presented the Attorney's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Attorney's Report.

MINUTES OF THE MEETINGS OF DECEMBER 7, 2007, AND DECEMBER 20, 2007

Proposed minutes of the meeting of the Board held on December 7, 2007, previously distributed to the Board, were presented for consideration and approval. Director Allard and Mr. Schuett requested revisions to page 3 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of December 7, 2007, as amended.

Proposed minutes of the meeting of the Board held on December 20, 2007, previously distributed to the Board, were presented for consideration and approval. Director Allard requested revisions to page 8 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of December 20, 2007, as amended.

DEVELOPMENT AND ANNEXATION AGREEMENTS/STUEBNER-AIRLINE TRACTS

Ms. Parker reported on the status of the proposed Development and Annexation Agreements (the "Agreements") for the tracts along Stuebner-Airline Road. She informed the Board that the District's Attorney had forwarded to Chayn Mousa and Kee Bu Park the offers from the District for the purchase of the water line easements and sanitary sewer easements (the "Easements") on their respective properties. Executed Easements have been received for the Franks, O'Pry, Vincer, and Wahrenberger tracts. Ms. Parker noted that Ollie Hilliard had executed the Agreement on behalf of Darby Real Estate Investments, LP, but had not executed the Easement instruments for the subject property. She reported that Mr. Unterreiner would meet with representatives of the Archdiocese of Galveston-Houston to discuss matters relating to the Agreement and Easements. Discussion ensued regarding the invoices submitted to the District by Barletta & Associates, Inc. ("Barletta") in connection with the appraisals performed on the proposed Easements on the properties owned by Messrs. Park and Mousa. Ms. Parker stated that the District's Attorney would contact Barletta and confirm the amount being billed to the District for services rendered by Barletta.

PETITION FOR ADDITION OF LAND/RAVENEUX TRACT

Ms. Parker reported on the status of the Petition for Addition of Land and Petition for Consent to Addition of Land pertaining to the Raveneaux Tract (the "Petitions").

DEVELOPMENT OF RAVENEUX TRACT/KERA VILLAGE

Ms. Parker reported on the status of the proposed development of Kera Village in the Raveneaux Tract. Discussion ensued regarding the Kera Village project. The Directors expressed their concern regarding (1) expenses incurred by the District (the "Extra Expenses") in connection with the annexation of the Raveneaux Tract and development of Kera Village that exceed the \$7,500 deposit placed by JP Realty Partners ("JP Realty"); (2) lack of attendance at Board meetings by a representative of JP Realty; and (3) certain representations being made by JP Realty to Cypress Forest Public Utility District in connection with the Kera Village project with respect to the Development, Financing, and Annexation Agreement between the District and JP/Raveneaux Partners, LP and Kera Development, LP.

After further discussion, the Board directed Ms. Parker to draft correspondence to JP Realty, requesting (1) payment to the District of the Extra Expenses and an additional deposit of \$5,000; (2) attendance by a representative of JP Realty at Board meetings.

PURCHASE OF WASTEWATER CAPACITY

Ms. Parker stated that she had nothing new to report in regard to the District's offer to Cy-Champ Public Utility District ("Cy-Champ") to purchase 100,000 gallons per day of wastewater treatment capacity in the Kleinwood Regional Wastewater Treatment Plant (the "Plant").

LEAD AND COPPER TESTING

Ms. Parker distributed a memorandum regarding changes in the requirements for lead and copper testing. A copy of the memorandum from Coats|Rose is attached as an exhibit to these minutes.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Ms. Ahlschlager, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report, a copy of which is attached hereto. It was noted that the District has collected 99.36% of its 2006 taxes and 26.09% of its 2007 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks listed therein.

DELINQUENT TAX REPORT

Ms. Ahlschlager submitted to and reviewed with the Board the Delinquent Tax Report as prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

REQUEST FOR WAIVER OF PENALTIES AND INTEREST

Ms. Ahlschlager reviewed with the Board a letter dated January 17, 2008, from Wanda Jean Hill, requesting the waiver of the penalties and interest imposed on her delinquent 2006 property taxes (the "Penalties and Interest"). A copy of the letter is attached hereto as an exhibit to these minutes. Ms. Parker remarked that the District does not have the authority to waive penalty and interest on delinquent property taxes, except in cases involving a clerical error by the District or the Harris County Appraisal District.

The Board, noting that no evidence of clerical error was presented, declined to take any action in connection with this request.

DEVELOPMENT REPORTS/REQUESTS FOR SERVICE

The President recognized Mr. Unterreiner, who reported on the status of various developments in the District as follows:

1. **Hilliard Tract/Meyer Park Office Condominiums**. Mr. Unterreiner reported that Ms. Hilliard had provided Jones & Carter with a site plan denoting the proposed utilities for the project.

2. **HEB Center Plan Reviews**. Mr. Unterreiner reported that Jones & Carter has approved the plans submitted by G.E. Walker & Associates, L.L.C. in connection with the proposed construction of the HEB Car Wash. Jones & Carter has reviewed and provided comments on the plans for a Jimmy Johns outlet. Jones & Carter has received plans for an Angel's Share Wine Bar & Grill.

ENGINEER'S REPORT

The President recognized Mr. Unterreiner, who presented the Engineer's Report as follows:

1. **Champion Woods Estates**. Mr. Unterreiner reported on the construction of the water supply, sanitary sewer, and drainage facilities (the "Champion Woods Utilities") by Clearwater Utilities, Inc. ("Clearwater"). He informed the Board that Jones & Carter and Clearwater are waiting on the inspection by Harris County before closing out the project.

2. **Champion Woods Force Main**. Mr. Unterreiner reported on the construction of the sanitary sewer force main to serve the Champion Woods Estates Subdivision (the "Champion Woods Force Main") by Economic Construction, Inc. ("Economic"). The scheduled completion date for the Champion Woods Force Main was January 10, 2008. Economic did not submit a pay estimate this month.

3. **Champion Woods Lift Station.** Mr. Unterreiner reported on the status of the construction of the sanitary sewer lift station to serve the Champion Woods Estates Subdivision (the "Champion Woods Lift Station") by Peltier Brothers Construction, Ltd. ("Peltier"). He noted that completion of the Champion Woods Lift Station was delayed by the unavailability of lift pumps. Peltier did not submit a pay estimate this month.

4. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter is awaiting receipt of executed Development and Annexation Agreements from the property owners. Preliminary design of the utilities to serve the Stuebner-Airline tracts is underway.

5. **Squyres Road Detention Pond/Storm Water Drainage Plans.**

a. **Detention Pond.** The Board noted that there was nothing new to report in connection with this matter.

b. **Drainage Project.** Mr. Unterreiner reported that debris has been removed from certain sections of the storm sewer lines by Source Point Solutions, Inc.

c. **Intersection Regrading.** Mr. Unterreiner reported that the plans for the street regrading and installation of additional storm sewer inlets on Squyres Road have been approved by Harris County.

6. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** The Board noted that there was nothing new to report in connection with this matter.

7. **North Harris County Regional Water Authority ("NHCRWA") Coordination.** Mr. Unterreiner reported that the NHCRWA is continuing to purchase water from the District. He added that Jones & Carter is looking into whether the water flow meter on the District's connection with the NHCRWA's surface water transmission line is the appropriate size for that application.

8. **Raveneaux Country Club/Kera Village.** Mr. Unterreiner reported that Jones & Carter has completed the boundary map for the proposed annexation of a certain portion of the Raveneaux Tract. He then distributed copies of the revised Cost Estimate and Bond Requirement (the "Cost Estimate") for the Feasibility Study prepared by Jones & Carter in connection with the proposed annexation of the Raveneaux Tract. A copy of the revised Cost Estimate is attached hereto as an exhibit to these minutes. Mr. Unterreiner stated that the revised Cost Estimate would be reviewed by Bill Blich of SAMCO Capital Markets, the District's Financial Advisor.

9. **Surplus Funds.** Mr. Unterreiner reported that the District's Engineer is preparing the necessary documents with regard to the use of Surplus Funds from the District's Series 2001 Bonds to help fund (1) the Champion Woods Lift Station; and (2) the Water Well No. 2 Rework project.

10. **Effluent Re-Use ("Gray Water").** Mr. Unterreiner reported that he would review the analysis prepared by AEI Engineering, Inc., for the Kleinwood Joint Powers Board ("KJPB") in connection with the proposed use of Gray Water for irrigation purposes.

11. **Plant Capacity**. The Board noted that there was nothing new to report in connection with this matter.

12. **Bond Application/Series 2007 Bonds**. Mr. Unterreiner reported that Jones & Carter has submitted the District's application to the Texas Commission on Environmental Quality for the release of escrowed funds from the proceeds of the Series 2007 Bonds with a request for expedited review of said application.

13. **Ground Storage Tank No. 2**. Mr. Unterreiner reported that the leak in Ground Storage Tank No. 2 ("GST No. 2") at Water Plant No. 1 is fairly substantial. It will be necessary for the District's Operator to drain GST No. 2 in order for Jones & Carter to conduct the inspection of the interior.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report, a copy of which is attached hereto.

OPERATOR'S REPORT

The President recognized Mr. Broadway, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations**. Mr. Broadway reported that the billed to pumped ratio for the prior month was 98.6% and that the District has a total connection count of 761.

2. **Surge Protection at Water Plant No. 1**. Mr. Broadway informed the Board that the electrical surge protection device at Water Plant No. 1 (the "Surge Suppressor") is no longer functional. He reviewed with the Board a price quote from NTS Pumps, Motors & Controls ("NTS") to install (1) a NEMA 4 outdoor Surge Suppressor at a cost of \$4,350; or (2) a NEMA 4X stainless steel Surge Suppressor at a cost of \$4,950. A copy of the price quote is attached hereto. Mr. Broadway noted that Jones & Carter recommended installation of the NEMA 4X Surge Suppressor.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the NTS price quote and to authorize installation of the NEMA 4X Surge Suppressor at Water Plant No. 1.

Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Operator's Report, a copy of which is attached hereto.

TERMINATION OF SERVICE

Consideration was then given to the termination of water and sewer service to certain accounts. The President recognized Mr. Broadway, who advised the Board that there were no delinquent service accounts that would be subject to termination for this reporting period.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who submitted to and reviewed with the Board the report concerning the District Office (the "Office Report"), a copy of which is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Office Report.

BOOKKEEPER'S REPORT

Mr. Schuett then reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto, and certain invoices for payment by the Board. The Board also reviewed the Investment Report, a copy of which is included with the Bookkeeper's Report.

Then, upon a motion duly made and seconded, the Board voted unanimously to approve the Bookkeeper's Report as presented, and to authorize payment of the checks listed therein.

SCHEDULE SPECIAL MEETING OF THE BOARD

Consideration was then given to scheduling a special meeting of the Board in order to discuss matters relating to (1) the contract for operation of the District facilities; and (2) the Kera Village development.

After discussion, the Board agreed to meet at 8:30 a.m. on Thursday, February 7, 2008.

NEWSLETTER WITH PAYNE COMMUNICATIONS ("PAYNE")

The President recognized Director Allard, who stated that she had provided Payne with articles for use in future editions of the "Water Works" newsletter to be distributed to the District's customers.

NHCRWA

The President recognized Director Fowler, who presented a report on the activities of the NHCRWA. He noted that Tom Rolen, Program Manager for the NHCRWA, gave a presentation at a recent meeting of the board of directors of Cypress Forest PUD. Director Fowler stated that the NHCRWA would distribute a schedule under which water districts within its jurisdiction must convert to the chloramine disinfection method.

Mr. Green distributed copies of a memorandum dated January 24, 2008, from Coats|Rose regarding the January 7, 2008, meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Ehmann reported on the activities of the KMF.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

Approved this 28 February 2008.

Robert Edmann
Asst. Secretary, Board of Directors

