

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

February 28, 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, February 28, 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 with the exception of Director Fowler, thus constituting a quorum.

Also present were: Jon Unterreiner, P.E., and Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Bill Blich of SAMCO Capital Markets, the District's Financial Advisor; Brent Broadway and Chris Zilko of SWWC Services Inc./Southwest Water Company ("Southwest"), Operator 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; Linn Smyth 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 Mike Morgan, 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.

HEAR FROM PUBLIC

It was noted by the Board that there were no members of the public in attendance who wished to address the Board.

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.

PEACE OFFICER'S REPORT

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

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Director Allard, who distributed copies of the Tax Assessor/Collector's Report on behalf of Sara Ahlschlager with Wheeler & Associates, Tax Assessor/Collector for the District. A copy of the Tax Assessor/Collector's Report is attached hereto. It was noted that the District has collected 91.69% 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.

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 reviewed and provided comments on the plans for a Jimmy Johns outlet. Jones & Carter has approved the 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 by Clearwater Utilities, Inc. He informed the Board that the Harris County inspection of Section 1 is complete and that one punch list item was found. The inspection for Section 2 will be scheduled as soon as possible.

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 project is complete except for recoating the inside of the manhole located across from Squyres Road. Economic has submitted Pay Estimate No. 1 in the amount of \$62,863.20. A copy of Pay Estimate No. 1 is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 1.

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 stated that construction of the Champion Woods Lift Station is underway but the contractor is awaiting delivery of lift pumps. Peltier has submitted Pay Estimate No. 3 in the amount of \$76,144.20. A copy of Pay Estimate No. 3 is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 3.

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. This matter was discussed further during the presentation of the Attorney's Report.

5. **Squyres Road Detention Pond/Storm Water Drainage Plans.** The Board noted that there was nothing new to report in connection with this matter.

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.

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.

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. **Bond Application/Series 2007 Bonds.** Mr. Unterreiner reported that Jones & Carter has submitted the District's application to the Texas Commission on Environmental Quality (the "TCEQ") for the release of escrowed funds from the proceeds of the Series 2007 Bonds with a request for expedited review of said application. An administrative review of the application has been conducted and the application was declared to be administratively complete on January 30, 2008. The TCEQ pre-purchase inspection was completed and no significant construction deficiencies were noted.

11. **Ground Storage Tank No. 2.** Mr. Unterreiner reported on the inspection of the interior of Ground Storage Tank No. 2 ("GST No. 2") at Water Plant No. 1. The inspection revealed pitting with dirt accumulating along the floor and walls of GST No. 2. Mr. Unterreiner discussed the need to power wash the interior of GST No. 2 (the "Power Washing") in order to facilitate dirt removal and to allow a more detailed inspection of the pitting. He noted that the District's Engineer will test water samples from GST No. 2 for the presence of iron-consuming micro-organisms. Mr. Schuett stated that he could perform the Power Washing at a cost of approximately \$1,000.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to perform the Power Washing.

Then, after review, 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 98.7% and that the District has a total connection count of 766.

2. **Sanitary Sewer Line Repairs.** Mr. Broadway informed the Board that a televised inspection of a section of sanitary sewer line near Lobo Lane and Heiden Circle indicated a breach in a section of truss pipe. The vicinity of other utility lines would preclude a point repair to this section of the sanitary sewer line. Mr. Broadway stated that Source Point Solutions, Inc. ("Source Point") has proposed to repair the affected section of sanitary sewer line with cured-in-place piping (the "CIPP Repairs") for an estimated cost of \$7,800.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Source Point proposal and to authorize the District's Operator to proceed with the CIPP Repairs.

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 the requisite notifications had been given to each customer and that each customer was advised of the date, time and place of the meeting which they may attend to discuss termination of service. The Board noted that there were no customers present to protest the utility billings.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Operator to terminate the water and sewer service to those accounts listed on the termination list attached hereto.

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 JANUARY 24, 2008 AND FEBRUARY 7, 2008

Proposed minutes of the meeting of the Board held on January 24, 2008, previously distributed to the Board, were presented for consideration and approval.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of January 24, 2008, as written.

Proposed minutes of the meeting of the Board held on February 7, 2008, previously distributed to the Board, were presented for consideration and approval.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of February 7, 2008, as written.

ORDER CALLING DIRECTORS ELECTION

Consideration was then given to a proposed Order Calling Directors Election. The Board noted that the terms of Directors Ehmann and Allard run through May 10, 2008, and accordingly an election must be called for the purposes of electing two (2) directors.

Upon motion duly made and seconded, the Board voted unanimously to adopt the Order Calling Directors Election thereby calling an election for May 10, 2008 for the purpose of electing two (2) directors to the Board. A copy of said Order is attached hereto.

VOTING RIGHTS ACT SUBMISSION LETTER

Consideration was then given to obtaining United States Justice Department Voting Rights Section pre-clearance of any changes affecting voting.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to prepare and submit to the United States Justice Department Voting Rights Section any changes in the election procedure for pre-clearance.

RESOLUTION REGARDING TAX EXEMPTIONS FOR 2008

Consideration was then given to a proposed Resolution Regarding Tax Exemptions for 2008. The Directors agreed to grant a \$10,000 exemption to persons who are 65 years of age and older or are disabled.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant a twenty percent (20%) homestead exemption, to grant a \$10,000 exemption to persons who are 65 years of age and older or are disabled, and to approve the Resolution evidencing the tax exemptions, a copy of which is attached hereto.

CONFIRM AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

The President recognized Ms. Parker, who explained that the Board could impose an additional 20% charge on all 2007 taxes, penalties, and interest delinquent on July 1, 2008 for real

property (and prior to that date for personal property), said 20% charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, she continued, the Board must first confirm its agreement for delinquent tax attorney services with the firm of Perdue, Brandon, Fielder, Collins & Mott, L.L.P. (the "Agreement").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm the Agreement.

RESOLUTION AUTHORIZING 20% PENALTY ON TAXES DELINQUENT ON JULY 1, 2008

Consideration was then given to a proposed Resolution Authorizing a 20% Penalty on delinquent taxes that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize a 20% penalty on 2007 taxes are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code, and to approve the Resolution evidencing the same. A copy of said Resolution is attached hereto.

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 she and Mr. Unterreiner had met earlier this date with Kee Bu Park and that Mr. Park had executed the Agreement and the water line easement and sanitary sewer easements (the "Easements") relating to his tract. Ms. Parker stated that discussions are continuing with representatives of the Archdiocese of Galveston-Houston regarding the Agreement and the Easements. She then reported on the status of the Agreement and Easements for the tract owned by Chayn Mousa.

PETITION FOR ADDITION OF LAND/RAVENEAX 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.

DEVELOPMENT OF RAVENEAX TRACT/KERA VILLAGE

Ms. Parker reported on the status of the proposed development of Kera Village in the Raveneaux Tract.

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, March 6, 2008.

FINANCIAL ADVISOR'S REPORT

The President recognized Mr. Blicht, who presented the Financial Advisor's Report.

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

CONTINUING DISCLOSURE SUBMISSION

The President recognized Mr. Blicht, who submitted to and reviewed with the Board a draft Continuing Disclosure Submission dated February 7, 2008. A copy of the Continuing Disclosure Submission is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Continuing Disclosure Submission and to authorize the District's Financial Advisor to file same with the appropriate agencies.

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.

FEES FOR HOMEOWNER ASSOCIATION MEETINGS

Consideration was then given to charging a fee of \$50 per meeting to homeowner associations (other than the Kleinwood Maintenance Fund) for the use of the District Office (the "Meeting Fee").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to charge a Meeting Fee of \$50 as described above.

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.

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.

NEWSLETTER WITH PAYNE COMMUNICATIONS ("PAYNE")

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

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the February 4, 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.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

KJPB/OPERATIONS CONTRACT

Directors Williams informed the Board that the KJPB would conduct a vote at its meeting the following week regarding the contract for operating the Plant (the "Plant Contract"). He stated that the final candidates being considered for the Plant Contract are Eagle Water Management, Inc., and Southwest. Director Williams remarked that as the District's representative on the KJPB he would cast his vote regarding the Plant Contract in accordance with the Board's preference. A poll was then taken of Directors with regard to the Plant Contract.

Then, after discussion, upon a motion duly made and seconded, the Board voted 3-0, with Directors Fratangelo, Ehmann, and Williams in favor and Director Allard abstaining, to authorize the District's representative to the KJPB to cast a vote in favor of Southwest with respect to the Plant Contract.

REQUEST FOR PROPOSAL/INSURANCE COVERAGE

The President recognized Ms. Parker, who informed the Board that the District's insurance policies would expire on April 30, 2008.

After discussion, the Board directed the District's Attorney to solicit a proposal for the renewal of the District's insurance policies from AquaSurance, LLC.

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in closed session to discuss real estate transactions at 8:27 p.m.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in open session at 8:28 p.m.

Then, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney and Engineer to proceed as discussed in closed session.

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

Approved this March 27, 2008.

Vic Fowler
Secretary, Board of Directors

