

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

**March 6, 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 **special** session, open to the public, on **Thursday, March 6, 2008**, at 8:30 a.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:

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| 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 Bill Blich of SAMCO Capital Markets, the District's Financial Advisor; Brent Broadway, Chris Zilko, Todd Burrer, and Scott Spidle of SWWC Services Inc./Southwest Water Company ("Southwest"), Operator for the District; Roger Schuett, Office Manager; Mark Jordan with J.P. Raveneaux Partners, L.P. ("JP"), developer of the Raveneaux Tract (hereinafter "Kera Development"); Tracy Riley and Mark Thorp representing Eagle Water Management, Inc. ("Eagle"); Mike Ammel and Andy Phelps representing Environmental Development Partners ("EDP"); Linn Smyth, Fred Jones, and Debbie Jackson, representing Cypress Forest Public Utility District ("Cypress Forest PUD"); and Maria S. Parker and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District.

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

**PROPOSALS FOR OPERATING CONTRACT**

The Directors reviewed the proposals (the "Proposals"), previously submitted to the Board, from Eagle, EDP, Severn-Trent Services ("Severn-Trent"), and Southwest, relating to the contract for the operation of the District facilities. Messrs. Riley, Thorp, Ammel, Phelps, Broadway, Zilko, Burrer, and Spidle addressed the Board in turn regarding their respective Proposals. It was noted by the Board that a representative of Severn-Trent was not in attendance at this meeting to review the Severn-Trent Proposal. Copies of the proposals are attached hereto. Mr. Broadway pointed out to the Board that the monthly Operations Cost under the Southwest Proposal should be listed as \$750, rather than \$1,500. In response to a request from the Board, Mr. Riley presented the Directors with the Profit & Loss Statement for Eagle.

The Directors then deferred further discussion on this matter to later in the meeting.

### **ANNEXATION OF RAVENEAUX TRACT/KERA VILLAGE**

The Board recognized Mr. Jordan, who briefed the Board on the current status of development of Kera Village. He stated that Kera Development had received a draft Letter of Intent from Cypress Forest PUD regarding the Kera Village development. Mr. Jordan noted that the Cypress Forest PUD board of directors had scheduled a special meeting at 9:00 a.m. on March 14, 2008, to discuss matters relating to the Kera Village Development. Directors Fowler and Williams, members of the Board's Kera Committee, indicated that they would attend said meeting.

### **ARBITRAGE REBATE AND YIELD RESTRICTION INITIAL BOND REVIEW**

The Board recognized Ms. Parker, who submitted to and reviewed with the Board the Arbitrage Rebate and Yield Restriction Initial Bond Review (the "Review") as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI"), in connection with its review of the District's (1) Series 1991 Refunding Bonds; (2) Series 1998 Refunding Bonds; (3) Series 1998 Bonds; (4) Series 2001 Bonds; (5) Series 2003 Bonds; (6) Series 2004 Bonds; and (7) Series 2006 Bonds. A copy of the Review is attached hereto. Ms. Parker pointed out to the Board that the Series 1991 Refunding Bonds and Series 1998 Refunding Bonds are subject to arbitrage rebate.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to solicit a proposal from ACSI to perform the arbitrage rebate calculations for the Series 1991 Refunding Bonds and the Series 1998 Refunding Bonds.

### **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 (the "Stuebner-Airline Tracts"). Mr. Green distributed copies of a table prepared by the District's Attorney that denotes the status of the Agreements and the sanitary sewer line and water line easements for each of the Stuebner-Airline Tracts. A copy of the table is attached hereto.

### **PROPOSALS FOR OPERATING CONTRACT, CONTINUED**

The Directors then returned to their earlier discussion regarding the Proposals. A preliminary poll of the Directors indicated no majority vote for any one Proposal. Further discussion ensued regarding the Proposals. In response to a question from the Board, Mr. Ammell stated (via teleconference) that the monthly Operations Cost under the EDP Proposal reflects the daily attendance in the District of two EDP personnel (the "Daily Attendance"). Discussion ensued regarding the EDP Proposal. Noting that the other operating companies adjusted their proposals to eliminate the Daily Attendance, the Directors expressed their desire for EDP to submit a revised Proposal that would not reflect the Daily Attendance.

After discussion, the Board directed the District's Attorney to solicit a revised Proposal from EDP as discussed above. The Directors then deferred action on this matter to a future meeting of the Board.

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

