

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

March 27, 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, March 27, 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., and Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Bill Blicht of SAMCO Capital Markets, the District's Financial Advisor; Brent Broadway, Chris Zilko, and Todd Burrer of SWWC Services Inc./Southwest Water Company ("Southwest"), Operator for the District; Roger Schuett, Office Manager; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Floyd Mechler and Marshall Schoth of AquaSurance, LLC ("AquaSurance"); Fred Jones representing Cypress Forest Public Utility District ("Cy-Forest"); Joel Smith, representing the Mittelstadt Elementary School Parent-Teachers Organization (the "PTO"); Maria S. Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and Scott and Jeff McIntosh, residents 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

The President recognized Scott McIntosh, who discussed with the Board his plans for his Eagle Scout project (the "Project"), which would consist of constructing a sidewalk that would be located south of the District Office in order to facilitate pedestrian traffic to and from Klein High School. The Board requested that Mr. McIntosh provide the District with drawings and specifications for the Project.

After discussion, the Directors deferred consideration of this matter to a future meeting of the Board.

Then the President recognized Ms. Smith, who addressed the Board regarding the PTO's request for a donation from the District to help fund the purchase by the PTO of certain playground equipment to be installed at Mittelstadt Elementary School. She distributed copies of an information sheet regarding the playground equipment as prepared by the PTO. A copy of the information sheet is attached hereto. Ms. Parker remarked that the District could participate in the cost to construct the playground equipment, provided that said playground equipment would be open to use by residents of the District. Ms. Smith stated that the PTO is requesting a donation in the amount of \$20,000 from the District.

After discussion, the Directors deferred consideration of this matter to a future meeting of 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. Mr. Lightfoot informed the Board of his plans to construct an office building and a pet boarding facility near the corner of Mintwood and Stuebner-Airline Road.

PEACE OFFICER'S REPORT

Mr. Green distributed copies of the Peace Officer's Report on behalf of Deputy Constable Abraham Valle with Harris County Precinct 4 Constable's Office. A copy of the Peace Officer's Report is attached hereto.

PROPOSAL FOR INSURANCE COVERAGE

The President recognized Mr. Mechler, who submitted to and reviewed with the Board the Proposal for Insurance Coverage (the "Proposal") prepared by AquaSurance for the policy period of April 30, 2008, through April 30, 2009.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal. A copy of the accepted Proposal is attached hereto 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 95.0% 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., the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

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 had approved the plans for a Jimmy Johns Gourmet Sandwich outlet. Jones & Carter sent a letter to Harris County stating that the District has sufficient capacity to serve the Texas Family Dental office.

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. ("Clearwater"). He informed the Board that Clearwater is working to address the punch list item that was found during the Harris County inspection of Section 1. The inspection for Section 2 will be scheduled in the next 30 to 60 days.

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. 2 in the amount of \$89,707.50. A copy of Pay Estimate No. 2 is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 2.

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. He stated that construction of the Champion Woods Lift Station is complete and the final inspection is scheduled for the following week. The Champion Woods Lift Station is scheduled to go into service on March 31, 2008.

4. **Stuebner-Airline Utilities**. Mr. Unterreiner reported that Jones & Carter is working to obtain the water line easements and sanitary sewer line easements from two of 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. Jones & Carter will continue to investigate the proper sizing of the flow meter on the District's connection with the NHCRWA water transmission line.

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

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. 1.** Mr. Unterreiner reported on the condition of the interior of Ground Storage Tank No. 1 ("GST No. 1") at Water Plant No. 1. Testing of water samples from GST No. 1 did not indicate the presence of iron-consuming micro-organisms. Power washing of the interior of GST No. 1 revealed an excessive amount of pitting. Jones & Carter will meet with a corrosion control specialist on March 31, 2008, to discuss the proposed method for repairing the leaks in GST No. 1 (the "Repairs").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with Repairs at a cost not to exceed \$1,000.

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 100.0% and that the District has a total connection count of 769.

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.

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.

1. **Purchase of chairs.** Mr. Schuett discussed with the Board the need to obtain more chairs for the District Office.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to purchase up to 24 additional chairs for the District Office.

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

PROPOSED REPAIRS TO WALKING GARDEN/DETENTION POND

The President recognized Mr. Schuett who reviewed with the Board a summary of proposed repairs and improvements to the Walking Garden/Retention Pond (the "Walking Garden Repairs"). A copy of the summary is included with the District Office Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to perform the Walking Garden Repairs at a cost not to exceed \$4,000.

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.

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 FEBRUARY 28, 2008 AND MARCH 6, 2008

Proposed minutes of the meeting of the Board held on February 28, 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 28, 2008, as written.

Proposed minutes of the meeting of the Board held on March 6, 2008, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of March 6, 2008, as amended.

ANNEXATION OF RAVENEAUX TRACT/KERA VILLAGE

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 RAVENEAUX TRACT/KERA VILLAGE

Ms. Parker reported on the status of the proposed development of Kera Village in the Raveneaux Tract. She informed the Board that Cy-Forest had turned down the revised Letter of Intent dated March 10, 2008 that was issued by J.P. Raveneaux Partners, L.P. ("JP"), the developer of the Raveneaux Tract. Ms. Parker then discussed with the Board the teleconference conducted earlier this date between herself, Mark Jordan of JP, Mr. Yale, Mr. Unterreiner, and Directors Fratangelo and Williams, regarding Kera Village.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to work with Brown & Gay Engineers, Inc., to prepare plans and specifications for District utilities to serve Kera Village.

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 discussions are continuing with representatives of the Archdiocese of Galveston-Houston regarding the Agreement and the water line easement and sanitary sewer line easements (the "Easements"). She then reported on the status of the Agreement and Easements for the tract owned by Chayn Mousa.

PROPOSAL FOR ARBITRAGE COMPLIANCE COMPUTATION

Ms. Parker reviewed with the Board the proposal (the "Proposal") submitted by Arbitrage Compliance Specialists, Inc. ("ACSI"), for (1) the 5th year and 10th year arbitrage compliance computations (the "Computations") as required by the U.S. Treasury Department (the "Treasury Department") and the Internal Revenue Service (the "IRS") with regard to the District's Series 1991 Refunding Bonds, plus the final arbitrage rebate report (the "Final Report"); and (2) the 5th year Computations as required by the Treasury Department and the IRS with regard to the District's Series 1998 Refunding Bonds, plus the Final Report. It was noted by the Board that the estimated cost for the Computations and Reports as presented in the ACSI Proposal totals \$11,600.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the ACSI Proposal and to authorize Director Fratangelo to execute same. A copy of the ACSI Proposal as accepted by the Board is attached hereto and shall be considered to be part of these minutes.

ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE

The President recognized Ms. Parker, who submitted for the Board's review an ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE in connection with the May 10, 2008, Directors Election. It was noted that according to the Texas Election Code, the District has the authority to declare unopposed candidates to be elected to office since Coats, Rose, Yale, Ryman & Lee, P.C., the District's Attorney, has certified in writing that the candidates to be listed on the ballot for the referenced election are unopposed. A copy of the Certificate Regarding Unopposed Candidates executed by the District's Attorney is attached hereto as an exhibit.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto as an exhibit to these minutes.

PROPOSALS FOR OPERATING CONTRACT

The Directors discussed the proposals (the "Proposals") relating to the contract for the operation of the District facilities. Ms. Parker reviewed with the Board the revised Proposal submitted by Environmental Development Partners ("EDP") that does not reflect the daily attendance in the District of two EDP personnel. A copy of said Proposal is attached hereto.

After discussion, the Directors deferred consideration of this matter to a future meeting of the Board.

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in closed session to discuss real estate transactions at 8:18 p.m.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in open session at 8:48 p.m.

Then, after discussion, during which Director Williams stated that he would abstain, upon a motion duly made and seconded, the Board voted to authorize the District's Attorney and Engineer to proceed as discussed in closed session.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the March 3, 2008, meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto. Discussion then ensued regarding the schedule by which water districts in the NHCRWA's jurisdiction would be required to convert to a chloramine disinfection system (the "Conversion").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to draft a letter to the NHCRWA requesting more detailed information regarding the schedule for the Conversion.

KLEINWOOD MAINTENANCE FUND ("KMF")

Directors Fratangelo and 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

Director Williams informed the Board that the KJPB had voted 4-2 in favor of retaining Southwest with respect to the contract for operating the Kleinwood Joint Wastewater Treatment Plant.

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

Approved this April 24, 2008.



Secretary, Board of Directors

