

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

May 22, 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, May 22, 2008**, at 5:30 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: Sara Ahlschlager with Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Jon Unterreiner, P.E., Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Bill Blitch of SAMCO Capital Markets, the District's Financial Advisor; Brent Broadway 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; Mike Ammel and Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"); Peter Palacios representing JP/Raveneaux Partners, LP, and Kera Development, L.P. ("JP/Raveneaux"); Fred Jones and Linn Smyth representing Cypress Forest Public Utility District; and Dick Yale 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.

HEAR FROM PUBLIC

The Board noted that there were no members of the public who wished to address the Board and this time.

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 Jones & Carter is reviewing the plans for this project.

2. **HEB Center Plan Reviews**. Mr. Unterreiner reported that a Fuji Hana outlet had opened for business without first submitting an application for service to the District. Jones & Carter sent a letter to Regency Centers requesting that Fuji Hana submit an application for service and pay the application fee to the District.

3. **Pet Hotel**. Mr. Unterreiner reported that Jones & Carter is reviewing the plans for this project.

ENGINEER'S REPORT

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

1. **Champion Woods Estates Utilities**. 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 has completed all punch list items for Section 1. The inspection for Section 2 will be scheduled in the next 30 days.

2. **Champion Woods Estates Force Main**. Mr. Unterreiner reported on the construction of the sanitary sewer force main (the "Force Main") to serve the Champion Woods Estates Subdivision by Economic Construction, Inc. ("Economic"). Economic has submitted Pay Estimate No. 3 and FINAL in the amount of \$18,952.30. A copy of Pay Estimate No. 3 and FINAL is included with the Engineer's Report attached hereto. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 3 and FINAL.

Mr. Unterreiner submitted for the Board's approval the Certificate of Acceptance in connection with the construction of the Force Main. After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Certificate of Acceptance. A copy of the Certificate of Acceptance as approved by the Board is attached hereto.

3. **Champion Woods Estates 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"). The Champion Woods Lift Station is in service and Peltier is addressing the last minor punch list items.

4. **HEB Lift Station Abandonment**. Mr. Unterreiner reported that the District's Engineer is proceeding with the abandonment of the old HEB Lift Station.

5. **Stuebner-Airline Utilities**. Mr. Unterreiner reported that Jones & Carter and Coats | Rose are 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.

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

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

8. **North Harris County Regional Water Authority ("NHCRWA") Coordination.** Mr. Unterreiner reported that the NHCRWA is continuing to purchase water from the District.

9. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner reviewed with the Board a letter dated April 24, 2008, from the NHCRWA regarding the schedule by which the District would be required to convert to a chloramine disinfection system at the District's water plants (the "Chloramine Conversion"). A copy of the letter is attached hereto. It was noted by the Board that the District would need to complete the Chloramine Conversion by September 1, 2009. Mr. Unterreiner reviewed with the Board the preliminary cost estimate for the Chloramine Conversion as prepared by Jones & Carter. A copy of the preliminary cost estimate is included with the Engineer's Report. Mr. Unterreiner stated that the estimated cost for the Chloramine Conversion totals \$65,000 for Water Plant No. 1 and \$259,000 for Water Plant No. 2.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to prepare plans and specifications for the Chloramine Conversion.

10. **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. Jones & Carter will coordinate with Brown & Gay Engineers, Inc., as needed, with respect to preparation of plans and specifications for District utilities to serve Kera Village.

11. **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 Estates Lift Station; and (2) the Water Well No. 2 Rework project.

12. **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. He reviewed with the Board the cost estimates as prepared by Jones & Carter for (1) blast cleaning and coating the interior of GST No. 1 (the "GST Liner") and (2) construction of a new galvanized Ground Storage Tank (the "New GST"). Mr. Unterreiner stated that the cost for the GST Liner is approximately \$129,000, while the estimated cost for a New GST would be \$227,000. Temporary repairs to plug the leaks in the floor of GST No. 1 (the "Temporary Repairs") would cost approximately \$3,000, he told the Board. Mr. Unterreiner recommended that the District proceed with the Temporary Repairs at this time and also conduct an inspection of the interior of Ground Storage Tank No. 2. He went on to say that permanent repairs to GST No. 1 during the winter months could be considered at a future meeting of the Board.

Mr. Green distributed copies of a letter dated May 22, 2008, from Jimmie Schindewolf, P.E. General Manager for the NHCRWA, acknowledging receipt of the letter dated May 12, 2008, from Coats|Rose regarding the status of GST No. 1. A copy of the letter is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with the Temporary Repairs.

Then, after discussion, the Board directed the District's Engineer to submit an insurance claim in connection with GST No. 1 to AquaSurance, LLC, the District's insurance agent.

13. **Fees for Professional Engineering Services:** Director Ehmann remarked that the amount being invoiced to the District by Jones & Carter for professional engineering services is in excess of the amount budgeted for that item for the fiscal year-to-date. Mr. Unterreiner stated that he would look into this matter.

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 101.2% and that the District has a total connection count of 777.

2. **Storm Sewer Repairs.** Mr. Broadway reported that the District's Operator had completed the repairs to the damaged bell joint on the storm sewer line located in the Walking Garden/Detention Pond.

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.

OPERATING CONTRACT TRANSITION/EDP

The President recognized Mr. Ammel, who addressed the Board regarding the status of the upcoming transition from Southwest to EDP for operation of the District's facilities (the "Transition"). He informed the Board that EDP would distribute a letter to the District's customers in June 2008 regarding the Transition. Discussion ensued as to whether the District should continue the use of the drop box on Cypresswood Drive for utility bill payments. Mr. Yale informed the Board that

the District's Attorney is reviewing the final draft of the contract between the District and EDP for the operation of the District facilities (the "Operating Contract") and would prepare a memorandum regarding same. He stated that the District's Attorney would propose the scheduling of a special meeting of the Board, as needed, to discuss the Operating Contract.

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.

Discussion ensued regarding traffic flow in Champion Woods Estates, Section 1. Mr. Lightfoot stated that he would seek authorization from the office of Jerry Eversole, Harris County Precinct 4 Commissioner, for the placement of additional stop signs at the intersections of (1) Mintwood and Chagall; and (2) Fondness Park and Oak Moss (herein collectively, the "Stop Signs").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to draft a letter to Mr. Eversole in support of Lightfoot's request for the Stop Signs.

NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY ("NHCRWA")/CAPITAL CONTRIBUTIONS

The President recognized Mr. Blich, who submitted to and reviewed with the Board an analysis (the "Analysis") regarding the options available to the District with regard to funding the District's pro-rata share of the cost for the NHCRWA's proposed Bond Issue No. 3, Series 2008, in the amount of \$261,665,000. A copy of the Analysis is attached hereto. He stated that the District's share of the capital contributions for this bond issue would total approximately \$2,120,629. Mr. Blich noted that the deadline for submission of the capital contributions is October 1, 2008.

Discussion ensued regarding the Analysis and the proposed issue of the District's Series 2008 Bonds in connection with the capital contribution. Mr. Blich reviewed with the Board the following documents: (1) a Tax Rate Analysis prepared in connection with the Series 2008 Bonds, with and without escrowed interest; (2) a debt service schedule prepared in connection with the Series 2008 Bonds, with and without escrowed interest; (3) a Present Value Savings Comparison prepared in connection with the Series 2008 Bonds, with and without escrowed interest; and (4) a table denoting the projected assessed valuation of the Falls at Champion Forest, Champion Falls Estates, and Champion Woods Estates subdivisions for the 2006 through 2010 tax years. Copies of the aforementioned documents are included with the Analysis.

Mr. Blich expressed his view that it would be feasible for the District to issue the Series 2008 Bonds for payment of the capital contribution cost and receive an annual credit on the groundwater pumpage fee.

The Directors deferred further discussion on this matter to a future meeting of the Board.

Also attached hereto as an exhibit to these minutes is a letter dated May 6, 2008, from the NHCRWA regarding its proposed Bond Issue No. 3 and the capital contributions.

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 94.75% 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.

PROPERTY TAX STATEMENT/CHAMPION WOODS ESTATES DETENTION POND SITE

Ms. Ahlschlager informed the Board that the District had received a 2007 property tax statement from the Harris County Tax Assessor/Collector for the District's pro-rata share of the property taxes due to Harris County (the "County") for the tract of land (the "Detention Pond Tract") for the stormwater detention pond serving Champion Woods Estates (Reserve D, Block 1 of Champion Woods Estates, Section 1). Mr. Green recalled that the Detention Pond Tract was conveyed to the District by Lightfoot on October 4, 2007, and was subsequently conveyed by the District to the Champion Woods Estates Property Owners Association on October 30, 2007.

After discussion, the Board authorized payment of the District's pro-rata share of the 2007 property taxes owed to the County for the Detention Pond Tract.

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. Mr. Schuett reported that he would replace the insulation in the attic of the District Office.

Then, 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.

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.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Fratangelo reported on the activities of the KMF.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

ATTORNEY'S REPORT

The President recognized Mr. Yale, 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 MEETING OF APRIL 24, 2008

Proposed minutes of the meeting of the Board held on April 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 April 24, 2008, as presented.

ANNEXATION OF RAVENEAUX TRACT/KERA VILLAGE

Mr. Yale reported on the status of the Petition for Addition of Land and Petition for Consent to Addition of Land pertaining to the Raveneaux Tract. He presented for the Board's review and approval a letter to Mark Jordan of JP/Raveneaux regarding certain documents needed by the District's Attorney for the completion of the annexation of the Raveneaux Tract.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Fratangelo to execute the letter, a copy of which is attached hereto as an exhibit to these minutes.

DEVELOPMENT AND ANNEXATION AGREEMENTS/STUEBNER-AIRLINE TRACTS

Mr. Yale reported on the status of the proposed Development and Annexation Agreements (the "Agreements") for the tracts along Stuebner-Airline Road. He informed the Board that discussions are continuing with representatives of the Archdiocese of Galveston-Houston regarding

the water line easement and sanitary sewer line easement (the "Easements"). Mr. Yale then reported on the status of the Agreement and Easements for the tract owned by Chayn Mousa.

2007 DRINKING WATER QUALITY REPORT/FORMAL APPROVAL

The Directors considered formal approval of their action at their meeting of April 24, 2008, at which they approved the 2007 Drinking Water Quality Report for the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to formally approve said action.

CONTRIBUTION REQUEST/MITTELSTADT ELEMENTARY SCHOOL PARENT-TEACHERS ORGANIZATION ("PTO")

The Board briefly discussed 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. It was noted by the Board that there was nothing new to report in connection with this matter.

OATH OF OFFICE

At this time Sherry Allard and Robert Ehmann executed their Oaths of Office and Statements of Elected Officer in connection with their re-election to the Board.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Oaths of Office and Statements of Elected Officer for Sherry Allard and Robert Ehmann, copies of which are attached hereto.

It was noted by Mr. Yale that Directors Allard and Ehmann would need to complete the required Texas Open Government training within 90 days (August 20, 2008). Mr. Green distributed copies of a memorandum prepared by Coats|Rose regarding the options for completing the Texas Open Government training. A copy of the memorandum is attached hereto as an exhibit to these minutes.

ELECTION OF OFFICERS

Consideration was given to reconstituting the officers of the Board.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to elect the following slate of officers:

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

REGISTRATION FORM

The President recognized Mr. Yale, who stated that it would be necessary to submit a revised District Registration Form to the Texas Commission on Environmental Quality (the "Commission").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Coats|Rose, the District's Attorney, to prepare a revised District Registration Form and file same with the Commission.

OFFICE USE AGREEMENT AND APPLICATION

Consideration was then given to amending the Office Use Agreement and Application (the "Office Use Agreement") with respect to certain guidelines regarding the use of the District Office. Mr. Yale submitted to and reviewed with the Board a draft of the Office Use Agreement with the proposed revisions. He directed the Board's attention to Section 18, pertaining to the supervision of minors, and Section 20, pertaining to certain activities that are prohibited in the District Office. Discussion ensued regarding Section 18. Mr. Yale stated that he would revise Section 18 to state that all minors must be supervised by a parent or guardian at all times.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Office Use Agreement as amended. A copy of the Office Use Agreement is attached hereto and shall be considered to be part of these minutes.

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in closed session to discuss real estate transactions at 7:55 p.m.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in open session at 8:52 p.m.

Then, after discussion, upon a motion duly made and seconded, the Board voted to authorize the District's Attorney 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.

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.

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

Approved this 26 June 2008.

Robert Thomas
Secretary, Board of Directors

