

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

August 7, 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, August 7, 2008**, at 12:00 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:

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

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

Also present were: Jon Unterreiner, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Claudia Redden of Claudia Redden & Associates, Bookkeeper for the District; David Merritt of David L. Merritt, P.C., Auditor for the District; Roger Schuett, Office Manager; Mark Jordan and Sarah Cathenne Norris, representing JP/Raveneaux Partners, LP, and Kera Development, L.P. ("JP/Raveneaux"); Tim Green of Coats, Rose, Yale, Ryman & Lee, P.C., attorney for JP/Raveneaux; Benton Schmaltz of Brown & Gay Engineers, Inc. ("Brown & Gay"), engineer for JP/Raveneaux; Bill DeArman representing Bubbles Express Car Wash, LP ("Bubbles Express"); and Dick Yale, Maria Salinas 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.

ENGAGE AUDITOR FOR FISCAL YEAR ENDING AUGUST 31, 2008

The President recognized Mr. Merritt, who presented the Board with an engagement letter from David L. Merritt, P.C. ("Merritt") for the audit of the District for the fiscal year ending

August 31, 2008. Mr. Merritt noted that the projected cost of such audit was approximately \$9,300 to \$9,700. Mr. Merritt then discussed with the Board the Control Environment and Risk Assessment Program (the "Program") to be conducted by Merritt in conjunction with the audit, pursuant to Statement on Auditing Standards No. 104 - 111.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) engage David L. Merritt, P.C. to prepare the District's audit for the fiscal year ending August 31, 2008; and (2) authorize Merritt to conduct the Program.

ELECTRICAL SYSTEM LOSS CONTROL SURVEY

The Board noted that the electric system loss control survey has not been provided to the District.

WATER RATE / CAR WASH FACILITIES

The Directors discussed matters regarding the rate charged to car wash facilities in the District for water service (the "Car Wash Rate") under the provisions of the District's Rate Order. Ms. Parker explained to the Board that when Environmental Development Partners, L.L.C. ("EDP") succeeded SWWC Services, Inc./Southwest Water Company ("Southwest") as the District's Operator, they discovered that the car wash facilities were being billed for water service under the rate for commercial customers (the "Commercial Rate"), rather than the Car Wash Rate.

The President recognized Mr. DeArman, who addressed the Board regarding the Car Wash Rate. Mr. DeArman expressed his view that the Car Wash Rate is onerous. Ms. Parker remarked that the District is permitted to establish different classes of users under the Rate Order. Director Allard recalled that the Board had established the Car Wash Rate in order to encourage water conservation and the use of water recycling systems (the "Recycling Systems") by car wash facilities. Discussion ensued regarding the use of Recycling Systems by car wash facilities. The Board discussed this matter again later in the meeting.

CLOSED SESSION

Upon a motion duly made and seconded, the Board voted unanimously to convene in closed session at 1:00 p.m. to discuss contemplated litigation.

OPEN SESSION

Upon a motion duly made and seconded, the Board voted unanimously to reconvene in open session at 1:10 p.m.

ANNEXATION OF RAVENEAUX TRACT/KERA VILLAGE

Ms. Parker discussed matters relating to the annexation and development of the tract of land (the "Raveneaux Tract") owned by JP/Raveneaux and Kera. The President recognized Mr. (Tim) Green, who discussed the status of the offer made by Cypress-Forest Public Utility District ("Cy-Forest") to JP/Raveneaux and Kera regarding the development of the Raveneaux Tract. He pointed out to the Board that Harris County had abandoned a utility easement (the "Easement") that runs north to south through the Raveneaux Tract, and that Cy-Forest is now the only grantee under said Easement. Discussion ensued as to how the District could extend water and sanitary sewer lines to the western portion of the Raveneaux Tract if Cy-Forest were to disallow the District from crossing the Easement.

The President recognized Mr. Jordan, who discussed with the Board the proposed development of the Raveneaux Tract. Mr. Jordan and Mr. Green proposed that Jones & Carter and Brown & Gay confer with regard to resolving certain issues relating to the utility lines to serve the Raveneaux Tract.

OPERATING BUDGET FOR FISCAL YEAR ENDING AUGUST 31, 2009 (the "Operating Budget")

Consideration was then given to adopting the Operating Budget. Ms. Redden submitted to and reviewed with the Board the revised draft Operating Budget, a copy of which is attached hereto.

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

NEWSLETTER WITH PAYNE COMMUNICATIONS

The Board briefly discussed matters relating to the preparation of articles for the "Water Works" newsletter to be distributed to the District's customers. No action was taken in connection with this matter.

WATER RATE / CAR WASH FACILITIES

The Directors returned to their earlier discussion regarding the Car Wash Rate. The Directors considered scheduling a special Board meeting in order to review the rates charged to the District's customers for water and sanitary sewer service under the Rate Order.

CLOSED SESSION

Upon a motion duly made and seconded, the Board voted unanimously to convene in closed session at 2:42 p.m. to discuss contemplated litigation.

OPEN SESSION

Upon a motion duly made and seconded, the Board voted unanimously to reconvene in open session at 2:51 p.m.

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

Approved this August 28, 2008

Rebet Ehmann
Secretary, Board of Directors

