

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

August 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, August 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:

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, thus constituting a quorum.

Also present were: Sara Ahlschlager with Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Claudia Redden of Claudia Redden & Associates, Bookkeeper for the District; Jon Unterreiner, P.E., Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager; Abraham Valle with Harris County Precinct 4 Constable's Office (the "Constable's Office"); John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Peter Palacios representing JP/Raveneaux Partners, LP, and Kera Development, L.P. ("JP/Raveneaux"); Bob Wooten representing Tradition Energy; Maria Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and Mike Allard and Scott 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.

EAGLE SCOUT PROJECT

The President recognized Mr. McIntosh, who discussed with the Board the status of his Eagle Scout project (the "Project"), which consists of constructing a sidewalk located south of the District Office in order to facilitate pedestrian traffic to and from Klein High School. He informed the Board that the Project is complete, and then presented a slideshow depicting the construction of the sidewalk. Mr. McIntosh then presented the Board with instruments pertaining to the

completion of the Project for submission to the Boy Scouts of America, Polaris District/Sam Houston Area Council. Director Williams executed said instruments on behalf of the District.

PEACE OFFICER'S REPORT

The President recognized Deputy Valle, who presented the Peace Officer's Report, a copy of which is attached hereto. He informed the Board that Deputy Daniel Bejarano is investigating the recent burglary of the District Office.

ELECTRICAL PRESENTATION - TRADITION ENERGY ("Tradition")

The President recognized Mr. Wooten, who discussed with the Board the services provided by Tradition in procuring an electrical service contract for the District (the "Contract"). Mr. Yale remarked he had worked with Mr. Wooten on the terms of a rider to be attached to any Contract that the District might accept for electricity service.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize Tradition to solicit pricing offers (the "Pricing Offers") for the Contract; (2) authorize Director Williams to execute a Letter of Authorization in connection with the solicitation of the Pricing Offers by Tradition; and (3) authorize Directors Fowler and Allard to review Pricing Offers and to act on behalf of the District with respect to the Contract (with Directors Ehmann and Fratangelo to serve as first and second alternates, respectively). A copy of the executed Letter of Authorization is attached hereto as an exhibit to these minutes.

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.

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 98.55% 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. ("Perdue"), the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

ELECTRICAL SYSTEM LOSS CONTROL SURVEY

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

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 JULY 24, 2008, AND AUGUST 7, 2008

Proposed minutes of the meeting of the Board held on July 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 July 24, 2008, as written.

Proposed minutes of the meeting of the Board held on August 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 August 7, 2008, as written.

DEVELOPMENT AND ANNEXATION AGREEMENTS/STUEBNER-AIRLINE TRACTS

Ms. Parker reported on the status of the proposed Development and Annexation Agreements for the tracts along Stuebner-Airline Road. She informed the Board that discussions are continuing with representatives of the Archdiocese of Galveston-Houston (the "Archdiocese") regarding the water line easement and sanitary sewer line easement.

REQUEST FOR REIMBURSEMENT/DISTRICT AND URBAN (TEXAS) INC. ("District & Urban")

Ms. Parker reported on the status of District & Urban's request for reimbursement of its eligible development costs related to the tract upon which the Colonnade Apartment Complex was to be located. Ms. Parker stated that she is reviewing this matter with the District's consultants.

ANNUAL REVIEW OF INVESTMENT POLICY

Consideration was then given to conducting a review of the District's Investment Policy. Mr. Green submitted for the Board's review the Approved List of Brokers to be attached as an exhibit to the Resolution Evidencing Annual Review of Investment Policy.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Resolution Evidencing Annual Review of Investment Policy.

ARBITRAGE REBATE CALCULATION REPORTS/SERIES 1991 AND 1998 REFUNDING BONDS

Ms. Parker submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated August 4, 2008 (the "Report") as prepared by Arbitrage Compliance Specialists, Inc. ("ACSI") in connection with the 5th year rebate installment computation period for the District's Series 1991 Refunding Bonds. A copy of the Report is attached hereto as an exhibit to these minutes. Ms. Parker informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 1991 Refunding Bonds that would be due on or before August 23, 1996, from the District to the U.S. Internal Revenue Service (the "IRS"). ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate or yield reduction as of the date of this Report, she told the Board.

Next, Ms. Parker submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated August 4, 2008 (the "Report") as prepared by ACSI in connection with the 10th year rebate installment computation period for the District's Series 1991 Refunding Bonds. A copy of the Report is attached hereto as an exhibit to these minutes. Ms. Parker informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 1991 Refunding Bonds that would be due on or before August 23, 2001, from the District to the IRS. ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate or yield reduction as of the date of this Report, she told the Board.

Then Ms. Parker submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated August 4, 2008 (the "Report") as prepared by ACSI in connection with the final rebate installment computation period for the District's Series 1991 Refunding Bonds. A copy of the Report is attached hereto as an exhibit to these minutes. Ms. Parker informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 1991 Refunding Bonds that would be due on or before April 2, 2003, from the District to the IRS. ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate or yield reduction as of the date of this Report, she told the Board.

Ms. Parker submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated August 4, 2008 (the "Report") as prepared by ACSI in connection with the 5th year rebate installment computation period for the District's Series 1998 Refunding Bonds. A copy of the Report is attached hereto as an exhibit to these minutes. Ms. Parker informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to the Series 1998 Refunding Bonds that would be due on or before September 8, 2003, from the District to the IRS. ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate or yield reduction as of the date of this Report, she told the Board.

Next, Ms. Parker submitted to and reviewed with the Board the Arbitrage Rebate Calculation Report dated August 4, 2008 (the "Report") as prepared by ACSI in connection with the final rebate installment computation period for the District's Series 1998 Refunding Bonds. A copy of the Report is attached hereto as an exhibit to these minutes. Ms. Parker informed the Board that ACSI prepared computations pertaining to the amount of the rebate installment payment with respect to

the Series 1998 Refunding Bonds that would be due on or before April 2, 2007, from the District to the IRS. ACSI determined that the District does not owe any payments and is not subject to filing requirements regarding arbitrage rebate or yield reduction as of the date of this Report, she told the Board.

Copies of the aforementioned Reports are attached hereto as exhibits to these minutes.

THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND

The Board discussed matters relating to the 6.5-acre tract in The Falls at Champion Forest in which the amenity lake/detention pond are located and the adjacent tract in which the sales office for The Falls is located (the "Falls Tracts"). The Directors contemplated the proposal set forth by The Falls at Champion Forest Property Owners Association (the "POA"), by which the District would purchase and make certain improvements to the Falls Tracts, said improvements to include additional parking, a perimeter fence, and a foot path.

After further discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Directors Ehmann and Allard to work with the District's Attorney and Engineer in connection with the proposed acquisition of the Falls Tracts.

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 stated that the current Car Wash Rate had been in effect since at least 1991. The Board discussed the Car Wash Rate and the Rate Order again later in the meeting.

DEVELOPMENT, FINANCING AND ANNEXATION AGREEMENT WITH JP/RAVENEUX PARTNERS, L.P. ("JP/Raveneaux") AND KERA DEVELOPMENT, L.P. ("Kera")

The Board then discussed the status of annexing into the District the tract of land (the "Raveneaux Tract") owned by JP/Raveneaux and Kera. It was noted by the Board that Directors Williams and Fowler had attended two recent meetings of the Cypress Forest Public Utility District board of directors. Director Williams reported that he and Director Fowler had recently met with Mark Jordan of JP/Raveneaux to discuss the status of the Raveneaux Tract, and that Director Fratangelo had met separately with Mr. Jordan.

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 has reviewed the plans and provided comments for this project.

2. **HEB Center Plan Reviews**. Mr. Unterreiner reported that Regency Center has submitted the application for service for the FujiHana outlet with the application fee and the grease trap calculation form as completed by the tenant. Jones & Carter is reviewing the information.

3. **Pet Hotel**. Mr. Unterreiner reported that Jones & Carter has reviewed the plans and provided comments 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 and that there are no outstanding punch list items from the inspection of Section 2.

2. **HEB Lift Station Abandonment**. Mr. Unterreiner reported that the District's Engineer would solicit bids for the abandonment of the old HEB Lift Station the following week and would have proposals for review at the Board's meeting on September 25, 2008.

3. **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 the Archdiocese. Design work for the utilities to serve the Stuebner-Airline tracts is underway and should be submitted for review in two weeks.

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

5. **Water Line Across Bubbles Car Wash**. Mr. Unterreiner reported that Jones & Carter had completed the survey field work and has commenced the design phase.

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. **NHCRWA/Chloramine Conversion**. Mr. Unterreiner reported that preparation of plans and specifications for the conversion to a chloramine disinfection system at the District's water plants should be submitted to the Texas Commission on Environmental Quality for review in mid-September 2008.

9. **Raveneaux Country Club/Kera Village**. Mr. Unterreiner reported that Jones & Carter met on August 15, 2008, with representatives of Brown & Gay Engineers, Inc., to discuss the preparation of plans and specifications for District utilities to serve Kera Village.

10. **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. Jones & Carter submitted a letter with photographs of the surrounding area to the Texas Water Development Board (the "TWDB") in order to allow the TWDB to determine which

type of environmental analysis would be necessary to continue with the application for release of the Surplus Funds.

11. **Ground Storage Tank No. 1.** Mr. Unterreiner reported on the repairs (the "Repairs") to the interior of Ground Storage Tank No. 1 ("GST No. 1") at Water Plant No. 1. He informed the Board that the holes on the bottom of GST No. 1 were covered with welded patches and that the seams and bolts were hand-coated. In addition, the entire floor of GST No. 1 was recoated with 100% epoxy coating. He noted that the cost for the Repairs totals \$14,650.

12. **Level 2 Electrical Survey.** Mr. Unterreiner reported that the Level 2 Electrical Survey is complete and that a list of proposed improvements had been prepared.

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. Ammel, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations.** Mr. Ammel reported that the billed to pumped ratio for the prior month was 92.0% and that the District has a total connection count of 747.

2. **Lift Station No. 2.** Mr. Ammel reported that lift pump No. 2 at Lift Station No. 2 was not functional with EDP took over operation of the District's facilities on July 1, 2008. EDP pulled the lift pump and cleaned debris from the impeller. Also, an electrical relay on the circuit was replaced.

3. **Commercial Water Meters.** Mr. Ammel reported that the District's commercial water meters (the "Meters") were tested by Accurate Meter ("Accurate"). According to Accurate, 14 of the 49 Meters were in need of repair or replacement. Mr. Ammel estimated the cost to replace eight 2-inch Meters and one 3-inch Meter at \$6,900, and estimated the cost to repair two 6-inch Meters, two 3-inch Meters, and one 4-inch Meter at \$4,700.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the repair and replacement of the Meters at a cost not to exceed \$12,000.

4. **Water Rate/Car Wash Facilities.** Mr. Ammel reviewed with the Board a table comparing water and sanitary sewer rates charged by other water districts in the vicinity of the District. A copy of the table is included in the Operator's Report. Mr. Green distributed copies of a memorandum prepared by Coats|Rose regarding the Car Wash Rate, a copy of which is attached hereto.

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. Ammel, who advised the Board that there were no accounts subject to termination of service as of this date.

AMEND RATE ORDER

Consideration was then given to amending the Rate Order with respect to the Car Wash Rate. The Board discussed making the following changes to the Rate Order:

1. Changing the rate for water service to car wash facilities as follows:

\$50.00 (flat fee) for usage up to 25,000 gallons of water.

\$1.75 per 1,000 gallons up to 100,000 gallons of water.

\$2.75 per 1,000 gallons up to 200,000 gallons of water.

\$3.75 per 1,000 gallons up to 300,000 gallons of water.

Thereafter, \$5.00 per 1,000 gallons of water.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to amend the Rate Order as described above, to be effective as of August 13, 2008. A copy of the District's Rate Order is on file in the permanent records of the District.

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. **Wall Repairs.** Mr. Schuett reported that a loose section of wall had been repaired by Champions Forest Masonry ("CFM") at a cost of \$450. CFM submitted a proposal for additional repairs to the District Office at an estimated cost of \$650. A copy of the proposal is included with the Office Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to proceed with the additional repairs to the District Office at a cost not to exceed \$1,000.

2. **Burglary at District Office.** Mr. Schuett reported that on August 19, 2008, he discovered that the District Office had been burglarized. A report was filed with Deputy Constable Daniel Bejarano. A public address system belonging to the Kleinwood Maintenance Fund ("KMF") was taken.

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 KMF, stating that the District would no longer allow KMF to store its property in the District Office.

Consideration was then given to providing the Deputy Constables with keys to the swimming pool gate at the District Office (the "Gate Keys").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to provide Gate Keys to the Deputy Constables.

3. **Security System**. Mr. Schuett reviewed with the Board a proposal from Infrastruct Security, Inc., for installation of a surveillance and alarm system for the District Office. A copy of the proposal is included with Office Report. The Directors deferred discussion of this matter to a future meeting of the Board.

After review, upon a motion duly made and seconded, the Board voted unanimously to accept the Office Report.

BOOKKEEPER'S REPORT

Ms. Redden 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.

KMF

Director Ehmann reported on the activities of the KMF.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the August 4, 2008, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

CLOSED SESSION

Upon a motion duly made and seconded, the Board voted unanimously to convene in closed session at 9:55 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 11:15 p.m.

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

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

Approved this 2 October 2008.

Robert Edmann
Secretary, Board of Directors

