

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

October 2, 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, October 2, 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:

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 Ahischlager with Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Bill Blitch of SAMCO Capital Markets, Financial Advisor for the District; Claudia Redden of Claudia Redden & Associates, Bookkeeper for the District; Jon Unterreiner, P.E. and Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Mike Ammel and Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Michael Murr of Murr, Inc.; Kevin Dice representing The Falls at Champion Forest Property Owners Association (the "POA"); and Maria Parker, 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.

HEARING ON PROPOSED TAX RATE

The Board convened a public hearing to discuss the proposed tax rate for the 2008 tax year (the "Tax Rate"). At this time the President asked if there were any opponents or proponents to the Tax Rate present at the hearing who wished to address the Board concerning the Tax Rate. It was noted by the Board that there were no persons in attendance who desired to address the Board regarding the Tax Rate.

The President then adjourned the Public Hearing.

ORDER SETTING TAX RATE FOR 2008

Consideration was then given to setting the tax rate for 2008.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) set and levy a debt service tax of \$0.4422 per \$100 of assessed value, and to levy a maintenance and operation tax of \$0.1878 per \$100 of assessed value, for a total tax rate for 2008 of \$0.63 per \$100 of assessed value and (2) to adopt the Order Setting Tax Rate for 2008.

AMENDED DISTRICT INFORMATION FORM

Consideration was then given to amending the District's Information Form to reflect the 2008 tax rate.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Amended District Information Form.

THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND

The President recognized Mr. Dice, who addressed the Board regarding the POA's proposal for the District to purchase and make certain improvements 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"), both of which are currently owned and maintained by the POA. Mr. Unterreiner informed the Board that the review of this matter by the District's Engineer had been delayed due to Hurricane Ike. Mr. Schuett submitted to and reviewed with the Board a proposal from Lake Management Services, L.P. ("Lake Management") to perform monthly maintenance on the amenity lake/detention pond. A copy of the proposal is attached hereto as an exhibit to these minutes. Director Fowler remarked that the Board's committee for this matter (consisting of Directors Allard and Ehmann) would need additional information from the POA regarding the monthly cost for electricity and maintenance relating to the amenity lake/detention pond.

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.

STORM DAMAGE AT WALKING GARDEN/DETENTION POND

The President recognized Mr. Murr, who addressed the Board regarding damage caused to the landscaping and amenities in the Walking Garden by Hurricane Ike. Mr. Schuett distributed to the Board copies of a cost estimate from Summit Landscape Services, Inc. ("Summit"), in the amount of \$1,976 for: (1) the replacement of certain trees and landscaping; and (2) the maintenance of landscaping and amenities. A copy of the cost estimate is attached hereto. Mr. Murr stated that in addition to the replacement and maintenance of the trees and landscaping, there were certain items that would need to be handled by another contractor, including: (a) the removal of dead trees; (b) repairs to plant signs; and (c) fence repairs. In response to a question

from the Board, Ms. Parker stated that she would contact Floyd Mechler of AquaSurance, LLC ("AquaSurance"), the District's insurance agent, regarding the District filing a claim in connection to the damage to the Walking Garden. Mr. Ammel stated that the insurance claim for the Walking Garden would be included with the claim to be filed in connection with damages to the fence at the Lift Station No. 3 site.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the repairs to the Walking Garden at a cost not to exceed \$6,000; (2) accept the proposal from Summit for replacement and maintenance of trees and landscaping in the Walking Garden; and (3) authorize Mr. Schuett to remove the dead trees from the Walking Garden.

FINANCIAL ADVISOR'S REPORT

The President recognized Mr. Blich, who presented the Financial Advisor's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Financial Advisor's Report.

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 98.97% 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.

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 MEETING OF AUGUST 28, 2008

Proposed minutes of the meeting of the Board held on August 28, 2008, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to a revision to page 5 of the minutes as requested by Director Fowler.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of August 28, 2008, as amended.

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. Ms. Parker reported that Ollie Hilliard had inquired through her attorney about obtaining a refund of the deposit paid to the District for the annexation of her tract of land (the "Hilliard Tract"). She stated that she would inform Ms. Hilliard's attorney that the annexation deposit is non-refundable. Mr. Redden remarked that the legal and engineering expenses incurred by the District to date in connection with the Hilliard Tract exceed Ms. Hilliard's annexation deposit.

WATER RATE/CAR WASH FACILITIES

Ms. Parker submitted to and reviewed with the Board an electronic mail message from Bill DeArman of Bubbles Express Car Wash, LP, regarding the recent amendment to the District's Rate Order with regard to the rate charged to car wash facilities in the District for water service. A copy of the electronic mail message is attached hereto.

WATER PLANT NO. 2/ADDITIONAL FACILITIES

Ms. Parker submitted to and reviewed with the Board an electronic mail message from Charles Dippel of Andrews & Kurth, attorney for the North Harris County Regional Water Authority (the "NHCRWA"), regarding the additional facilities to be constructed by the NHCRWA at Water Plant No. 2 pursuant to the right of entry and possession instrument that was executed by the District on May 26, 2006. A copy of the electronic mail message is attached hereto. Discussion of this matter was deferred to later in the meeting during the presentation of the Engineer's Report.

MITTELSTADT ELEMENTARY SCHOOL PARENT-TEACHERS ORGANIZATION ("PTO")

Ms. Parker submitted to and reviewed with the Board an electronic mail message from Joel Smith regarding two projects for which the PTO is seeking contributions.

After discussion, the Board declined to take any action in connection with this matter.

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.

EMERGENCY PHONE/KLEINWOOD MAINTENANCE FUND ("KMF")

Ms. Parker submitted to and reviewed with the Board a letter dated September 9, 2008, from Cindy Angelo of Chaparral Management Company, presenting the KMF's request that an

emergency telephone for the pool (the "Telephone") be connected to the District's telephone line for the District Office. A copy of the letter is attached hereto. Ms. Parker stated that according to Ms. Angelo, the Telephone would be for local calls only and that certain telephone numbers would be programmed into the Telephone for use by life guards as a time clock and to contact their supervisors. Discussion ensued regarding the Telephone. Mr. Schuett recalled that at the Board's meeting on June 26, 2008, the Board authorized the transfer of the service account for the pay telephone at the Kleinwood Pool to Pacific Telemangement Services (called "PTS"). Ms. Parker stated that she would review the agreement with PTS. The Directors then deferred further discussion regarding the Telephone to a future meeting of the Board.

CONTRIBUTION REQUEST/CYPRESS CREEK FLOOD CONTROL COALITION ("CCFCC")

Ms. Parker submitted to and reviewed with the Board a letter dated September 28, 2008, from Richard D. Smith, presenting the CCFCC's request for a contribution. The Directors deferred discussion of this matter to a future meeting of the Board.

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 Jones & Carter has reviewed the plans and service application for the FujiHana outlet and will draft a letter to Regency Center.

3. **Pet Hotel**. Mr. Unterreiner reported that Jones & Carter has reviewed the plans and provided comments for this project.

4. **Lightfoot Office Building**. 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. Jones & Carter is continuing to work with the contractors for the utilities and the paving with regard to required repairs and any payment issues.

2. **HEB Lift Station Abandonment**. Mr. Unterreiner reported that the District's Engineer was unable to solicit bids for the abandonment of the old HEB Lift Station (the "Lift Station Abandonment") prior to this Board meeting. The contractors that bid on this type of work had

indicated that they are extremely busy with repair work in connection with Hurricane Ike and would prefer to bid on this project at a later date.

After discussion, the Board agreed to postpone the solicitation of bids for the Lift Station Abandonment.

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. **NHCRWA Coordination.** Mr. Unterreiner reported that the NHCRWA is continuing to purchase water from the District. He reviewed with the Board the site plan prepared by NHCRWA that denotes the current plan for the additional facilities to be constructed at Water Plant No. 2 in order for the NHCRWA to provide surface water to the District. Discussion ensued regarding the possibility of installing an auxiliary generator (the "Generator") at Water Plant No. 2. Mr. Yale remarked that several other water district clients of Coats|Rose are directing their Operators and Engineers to prepare studies regarding the use of Generators at their facilities during emergency situations (the "Generator Study").

After discussion, the Board authorized the District's Engineer to prepare a Generator Study on the District's facilities.

8. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner reported that the 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 October 2008. He noted that this project had been delayed due to Hurricane Ike.

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 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.

10. **Ground Storage Tank No. 1.** Mr. Unterreiner reported on the repairs (the "Repairs") to the interior of Ground Storage Tank No. 1 at Water Plant No. 1. He informed the Board that the

Repairs are complete and that Ground Storage Tank No. 2 would be removed from service and inspected in the near future.

12. **Klein High School Press Box.** Mr. Unterreiner reported that the District's Engineer had reviewed the plans for the press box to be installed at the softball field at Klein High School (the "Press Box"). He stated that the water and sanitary sewer facilities, external to the building slab, appear to be acceptable as submitted. Mr. Unterreiner added that Jones & Carter's review does not include a determination that the internal plumbing facilities are designed properly. Discussion then ensued regarding the service application fee to be charged to Klein High School in connection with the Press Box (the "Application Fee").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to charge an Application Fee of \$500 for the Press Box. Attached hereto as an exhibit to these minutes is a letter dated September 18, 2008, from the District's Engineer regarding the plans for the Press Box.

12. **Hurricane Ike/Storm Debris.** The Board then discussed matters relating to the removal of storm debris from the District. Mr. Unterreiner stated that the District could hire a contractor to remove the storm debris or wait for collection of the storm debris by Harris County (the "County"). He noted that the County is giving first priority to removal of tree limbs and related debris, followed by construction debris. It was noted by the Board that the County had apparently collected much of the storm debris in the District. The Directors also noted that a large pile of debris had apparently been dumped at the Water Plant No. 1 site by persons unknown.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to have the debris pile removed from the Water Plant No. 1 site.

13. **Hurricane Ike/Storm Water Drainage.** Director Williams addressed the Board regarding storm water drainage in the District during Hurricane Ike. He noted that ponding occurred on certain streets due to the obstruction of the storm sewer inlets. Director Williams expressed his view that the Board should consider authorizing the televised inspection of the storm sewer lines located along the following streets in the District: Feliciano Lane; Kleingreen Lane; Friars Court Lane; and Heathrow Lane.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the televised inspection of the sections of storm sewer lines described above at a cost not to exceed \$2.25 per linear foot.

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 87.8% and that the District has a total connection count of 782.

2. **Hurricane Ike/Emergency Preparation and Response**. Mr. Ammel reported that the District provided uninterrupted water supply and sanitary sewer service to its customers during and after Hurricane Ike. EDP utilized the Cypresswood Utility District meeting location as the staging location for emergency response actions in the District. Mr. Ammel mentioned that there was damage to the fence at the Lift Station No. 3 site. EDP is arranging for a contractor to repair the fence.

3. **Interconnection ("I/C") Water Usage**. Mr. Ammel reported that the I/C with Cypress-Klein Utility District ("Cy-Klein") was opened on Sept. 14, 2008, to supply Cy-Klein with water. The I/C was closed on September 24, 2008, after electric power was restored in Cy-Klein. The I/C with Harris County Water Control Improvement District No. 114 ("WCID No. 114") was opened on September 15, 2008, to supply the District due to generator failure. The generator was repaired and the I/C was closed on September 16, 2008. The I/C with WCID No. 114 was opened on September 19, 2008, due to a water well failure in WCID No. 114. The I/C was closed on September 23, 2008.

4. **Klein Independent School District ("Klein ISD") New Connection**. Mr. Ammel reported that on August 31, 2008, the District's Operator met with the contractor installing the water supply and sanitary sewer lines for the Press Box at Klein High School and instructed them to cease work related to connecting the sanitary sewer service line with the District's wastewater collection system, pending review and approval of the plans by the District's Engineer and Operator.

After discussion, the Board directed Ms. Parker to draft a letter to Klein ISD, informing them of the District's right to inspect material changes to plumbing systems on the Klein ISD property.

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 due to Hurricane Ike, termination of service would be deferred to a future meeting of the Board.

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.

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.

Discussion ensued regarding payment of Director's fees of office (the "Fees of Office") to a Director who attends a meeting of a homeowners association in the District. The Directors then agreed to review and possibly amend the District's policy regarding the Fees of Office at a future meeting of the Board.

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 POOL

Director Williams reported that the workers servicing the Kleinwood Pool (the "Pool") recently left two hoses running in the Pool, causing it to overflow. He noted that the level of the Pool noticeably decreases over time, indicating a possible leak in the facility. He expressed his view that the District should send a letter to the KMF, expressing (1) the District's concerns regarding the cleaning and maintenance of the Pool; and (2) the need for KMF to have the Pool inspected for leaks.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to draft the letter to the KMF as described above.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

KMF

Director Ehmann reported on the activities of the KMF.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the September 8, 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 11:13 a.m. to discuss contemplated litigation.

OPEN SESSION

Upon a motion duly made and seconded, the Board voted unanimously to reconvene in open session at 11:48 a.m.

Then, after discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Director Williams to execute the letter to Mark Jordan of JP Realty Partners, Ltd regarding the status of the Development, Financing and Annexation Agreement between the District and JP/Raveneaux Partners LP and Kera Development, L.P. A copy of the letter is attached hereto as an exhibit to these minutes.

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

Approved this 23 October 2008.

Robert Erman
Secretary, Board of Directors

(SEAL)