

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

**November 20, 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, November 20, 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; Mike Ammel and Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Jon Unterreiner, P.E., and Jason Ozuna, P.E., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in the District; Kevin Dice representing The Falls at Champion Forest Property Owners Association (the "POA"); Maria Parker and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and members of the public listed on the attached Attendance Sheet.

The President called the meeting to order in accordance with notice posted pursuant to law, and the following business was transacted.

**THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND**

The President recognized Ray Ciconni, who addressed the Board regarding the Board's consideration of the 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 (collectively, the "Property"), both of which are currently owned and maintained by the POA. Mr. Ciconni expressed his view that a majority of residents of Champion Woods Estates Subdivision are opposed to the proposed purchase by the District of the Property.

**LITIGATION AGAINST CYPRESS FOREST PUBLIC UTILITY DISTRICT, JP/RAVENEUX PARTNERS, LP, AND KERA DEVELOPMENT, L.P. (the "Raveneaux Lawsuit")**

The President recognized Mr. Highfield, who addressed the Board regarding the Raveneaux Lawsuit. Mr. Highfield expressed his concern that the Raveneaux Lawsuit might adversely affect the future development of certain areas in proximity to the District and Cypress Forest Public Utility District ("Cy-Forest"). Director Williams read a statement on behalf of the Board regarding the Raveneaux Lawsuit. A copy of the statement is attached hereto and shall be considered to be part of 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.

**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.

**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 99.37% of its 2007 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto.

Then, 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.

**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 SEPTEMBER 11, 2008, AND OCTOBER 23, 2008**

Proposed minutes of the meeting of the Board held on September 11, 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 September 11, 2008, as written.

Proposed minutes of the meeting of the Board held on October 23, 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 October 23, 2008, as written.

### **RAVENEUX LITIGATION**

Ms. Parker informed the Board that Cy-Forest had not filed a response to the Raveneaux Litigation as of this date, according to Stumpf Farrimond, special counsel to the District with respect to pursuing legal remedies in connection with the Raveneaux Tract.

### **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.

### **RESOLUTION ESTABLISHING AN IDENTITY THEFT PROGRAM**

Ms. Parker reported that the District's Attorney is working with the District's Operator to develop procedures for use with the utility service accounts of the District's customers that would be in compliance with the rules promulgated through Fair and Accurate Credit Transactions Act of 2003 regarding identity theft "red flags."

### **AGREEMENT FOR LAW ENFORCEMENT SERVICES**

The Board discussed the renewal of the Agreement for Law Enforcement Services between the District and Harris County for the period of January 1, 2009, through December 31, 2009 (the "Agreement"). Ms. Parker presented the Board with execution drafts of the Agreement. Directors Williams and Ehmman then executed the Agreement, a copy of which is attached hereto.

Ms. Parker then submitted to and reviewed with the Board a letter dated November 14, 2008, from Mike Stafford, Harris County Attorney, regarding an anticipated increase in the costs for the Agreement. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Stafford states in the letter that there might be a substantial cost increase in the contractor rate for the Agreement beginning with renewals for the 2010 calendar year. Additionally, all Agreements with governmental entities would be at the 100% rate only beginning in 2010, with the 70% rate no longer being available.

## **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. **FujiHana**. 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.

5. **Kwik Kar Lube & Tune/Kwik Dry Cleaners**. Mr. Unterreiner reported that Kwik Industries ("Kwik") has expressed its intent to proceed with the previously approved Kwik Dry Cleaners on a site adjacent to the Kwik Kar Lube outlet. Jones & Carter has informed Kwik of the need to submit plans as approved by the City of Houston and Harris County. If changes have been made to the plans, they must be resubmitted to Jones & Carter for approval.

6. **Klein High School Press Box**. Mr. Unterreiner reported that Jones & Carter reviewed the plans for the press box and provided comments for this project. He added that Klein Independent School District had submitted the \$500 application fee.

7. **Midas**. Mr. Unterreiner reported that Jones & Carter received an application for service and the application fee of \$2,500 in connection with a proposed Midas outlet. Jones & Carter has commenced the initial review of the plans for the project.

8. **Chicken Dinner Restaurant**. Mr. Unterreiner reported that Jones & Carter received an application for service in connection with the proposed Chicken Dinner Restaurant outlet. The application fee has not been received as of this date.

## **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 bids for the abandonment of the old HEB Lift Station (the "Lift Station Abandonment") should be available for review at the Board's meeting in January 2009.

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 the plans and specifications for the conversion to a chloramine disinfection system at the District's water plants have been submitted to the Texas Commission on Environmental Quality (the "TCEQ") for review. Jones & Carter is addressing the TCEQ's comments.

9. **Surplus Funds.** Mr. Unterreiner reported that the District's Engineer is working with Darrell Nichols of the Texas Water Development Board (the "TWDB") 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 is requesting the use of all Surplus Funds, including interest. Mr. Nichols has indicated that the TWDB will not approve projects that are already built out.

10. **Ground Storage Tank No. 2 at Water Plant No. 1.** Mr. Unterreiner reported Ground Storage Tank No. 2 has been drained and would be inspected the following week.

11. **Hurricane Ike/Storm Water Drainage.** Mr. Unterreiner reported that Jones & Carter provided the District's Operator with an exhibit depicting the storm sewer lines located along Feliciana Lane, Kleingreen Lane, Friars Court Lane, and Heathrow Lane, which were the subject of a televised inspection.

12. **The Falls at Champion Forest Amenity Lake/Detention Pond.** Mr. Unterreiner reported that Jones & Carter has prepared a summary of proposals for the landscaping, lake maintenance, and electricity costs to maintain the Amenity Lake/Detention Pond.

13. **Geographic Information System ("GIS").** Mr. Unterreiner stated that Jones & Carter is seeking the Board's approval to scan the commercial plans into the GIS system. Having computer access to the commercial plans would be advantageous to the District.

14. **Level 2 Electrical Survey.** Mr. Unterreiner stated that Jones & Carter had received the proposals for the Level 2 Electrical Survey (the "Electrical Survey") from NTS Pumps, Motors & Controls ("NTS") and from TEGG Service Division ("TEGG"). He noted that Jones & Carter had previously prepared annual reports regarding the electrical components of the District's facilities.

After discussion, the Board directed the District's Engineer to submit a proposal to perform the Electrical Survey.

15. **NHCRWA Project 7C4-1.** Mr. Unterreiner reported that Jones & Carter had reviewed the plans for the proposed water line and interconnection project 7C4-1 ("Project 7C4-1") and had provided comments. He stated that the District's Engineer would provide a "No Objection Letter" regarding Project 7C4-1. Mr. Unterreiner noted that the NHCRWA is requesting that the District approve the plans for the Right of Entry and enter said approval into the minutes.

16. **Water Well No. 3.** Mr. Unterreiner discussed with the Board the condition of Water Well No. 3 at Water Plant No. 2 (called "Well No. 3"). He submitted to and reviewed with the Board a set of tables prepared by G-M Services that depict the static water level, pumping level, and production capacity of the District's Water Well Nos. 1, 2, and 3. Mr. Unterreiner pointed out to the Board that during the past four years the static and pumping water levels of Well No. 3 had declined significantly, due to a decrease in the level of the Jasper Aquifer. He noted that the static and pumping water levels of Water Wells Nos. 1 and 2, which draw water from the Chicot and Evangeline Aquifers, respectively, remain satisfactory. He stated that the production capacity of Well No. 3 had declined from 1,342 gallons per minute ("gpm") to 844 gpm. The pump in Well No. 3 currently has only 30 feet of submergence, he told the Board. He stated that if the pump were to be lowered 30 feet, it would be necessary to install a new pump assembly because of the decline in performance if the existing unit were used. Mr. Unterreiner expressed his view that Well No. 3 is a young well with plenty of remaining depth, and the possibility exists that the level of the Jasper Aquifer will rebound in future years when water districts in the area begin receiving surface water from the NHCRWA.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with plans and specifications for reworking Well No. 3.

17. **Squyres Road Detention Pond.** Mr. Unterreiner then discussed with the Board the operation of the Squyres Road Detention Pond during the rainfall event earlier this month during which 3 inches of rain were received in the District. He noted that Mr. Bryl had suggested the installation of a 24-inch pipe in the Detention Pond.

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 777.

2. **Mittelstadt Elementary School.** Mr. Ammel reported that the water meter for Mittelstadt Elementary School had been repaired and reinstalled.

3. **Storm Sewer Televising.** Mr. Ammel recalled that the Board had authorized EDP to conduct a televised inspection of several sections of storm sewer lines. The District's Operator has completed the inspection by "lamping" the storm sewer lines. He stated that there is very little debris in the storm sewer lines, and that none of the debris is cause for concern. Mr. Ammel remarked that one of the manholes on the storm sewer lines was found to be below grade. He noted that the condition of the manhole would be the responsibility of Harris County, rather than of the District.

4. **Storm Inlet Marking Program.** Mr. Ammel reported that EDP has ordered the storm water inlet markers for use in the Clean Water Clear Choice program. Harris County does not have the markers at this time but will inform the District's Operator when the markers are available.

5. **Hurricane Ike Damage.** Mr. Ammel reported that he had attended a workshop for water district operators at which the process for filing the required Federal Emergency Management Agency ("FEMA") forms on behalf of water districts was reviewed. He expressed his view that the District would likely be reimbursed for expenses relating to time spent on emergency preparation, response, and recovery. These expenses would also include the cost for rental auxiliary generators, fuel, time and equipment for the recovery, and time for permanent repairs to facilities, including improvements for mitigating future damages from major storms. On November 19, 2008, the District's Operator met with the insurance adjuster for AquaSurance, LLC, the District's insurance agent, to visit the District's facilities and to review damages caused by Hurricane Ike. Mr. Ammel stated that the District's Operator would file a claim for approximately \$12,000 for damages and expenses in connection with Hurricane Ike.

6. **Ground Storage Tank No. 1 at Water Plant No. 1.** Mr. Ammel reported that Ground Storage Tank No. 1 had been drained and will be ready for inspection on November 24, 2008. Ground Storage Tank No. 2 has been returned to service.

7. **Facility Electrical Preventive Maintenance.** Mr. Ammel reviewed with the Board the proposals received from NTS and TEGG to perform electrical preventive maintenance at the District's water plants and sanitary sewer lift stations (the "Preventive Maintenance"). Copies of the proposals are included with the Operator's Report. Mr. Ammel recommended that the District work through Jones & Carter and NTS with respect to the Electrical Survey and the Preventive Maintenance.

8. **Auxiliary Generators.** Mr. Ammel discussed with the Board the use of auxiliary generators (the "Generators") at the District's facilities during major power outages. The Directors discussed the likelihood that the upcoming 81st Texas Legislature would enact legislation regarding the use of Generators by water districts.

After discussion, the Directors expressed their desire for the District's Engineer and Operator to prepare cost estimates for the Generators.

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 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 Board reviewed the report concerning the District Office (the "Office Report") as prepared by Roger Schuett, Office Manager for the District, 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.

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 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 November 3, 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 9:20 p.m. to discuss possible real estate transactions.

**OPEN SESSION**

Upon a motion duly made and seconded, the Board voted unanimously to reconvene in open session at 10:45 p.m.

Then, upon a motion duly made and seconded, the Board voted 4 - 1, with Directors Williams, Fowler, Allard, and Ehmann in favor, and Director Fratangelo opposed, to proceed as discussed in closed session with regard to the purchase of the Property as defined on page 1 hereof.

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

Approved this 12/18/2008

Rabeil Ehmann  
Secretary, Board of Directors

