

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

December 18, 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, December 18, 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 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; 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; 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.

PEACE OFFICER'S REPORT

The President recognized Deputy Valle, who presented the Peace Officer's Report, a copy of which is attached hereto.

DEVELOPMENT OF CHAMPION FALLS ESTATES, CHAMPION WOODS ESTATES, THE FALLS AT CHAMPION FOREST (herein collectively, the "Falls")

Mr. Green distributed copies of the Development Report for the Falls as prepared by Lightfoot. A copy of the Development 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 99.41% of its 2007 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto.

Ms. Ahlschlager inquired if the Directors desired a new aerial photograph of the District (the "Photograph"). After discussion, the Directors declined to take any action with regard to the Photograph.

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. Ms. Ahlschlager reported that Perdue had prepared a list of delinquent tax accounts involving personal property (the "Personal Property Accounts") that could be transferred to the list of uncollectible accounts. The Directors deferred action on the Personal Property Accounts to a future meeting of the Board.

THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND

The President recognized several members of the public, who addressed the Board regarding the Board's consideration of the purchase (and 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. Unterreiner submitted to and reviewed with the Board a draft report prepared by the District's Engineer that denotes the estimated annual cost for (1) electricity; (2) landscape maintenance; (3) lake maintenance; and (4) miscellaneous maintenance for the Property. A copy of the draft report is attached hereto.

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

The President recognized Kevin Highfield, who addressed the Board regarding the Raveneaux Lawsuit.

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 NOVEMBER 20, 2008, AND DECEMBER 1, 2008

Proposed minutes of the meeting of the Board held on November 20, 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 November 20, 2008, as written.

Proposed minutes of the meeting of the Board held on December 1, 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 December 1, 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 the water line easement and sanitary sewer line easement instruments have been forwarded to the Archdiocese of Galveston-Houston.

HURRICANE IKE/REIMBURSEMENT CLAIM-FEDERAL EMERGENCY MANAGEMENT AGENCY ("FEMA")

Ms. Parker reported that the District's Operator had filed the District's claim with FEMA for expenses incurred by the District in connection with Hurricane Ike. She then informed the Board that the District could file a Notice of Intent in connection with FEMA's Hazard Mitigation Grant Program (the "Program"). Ms. Parker explained that there is some chance that FEMA would supply grant money through the Program to help small governmental entities purchase auxiliary generators for use during power outages such as those that occurred after Hurricane Ike.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer and Operator to complete and submit the Notice of Intent to FEMA.

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."

ANNUAL CALENDAR OF EVENTS

The President recognized Ms. Parker, who reported that the District's Attorney is preparing the Annual Calendar of Events for the District (the "Calendar"). A draft of the Calendar will be distributed to the Directors.

RESCHEDULE BOARD OF DIRECTORS MEETING

Ms. Parker inquired if the Directors desired to reschedule the January 22, 2009, Board meeting in view of the Mid-Winter Conference to be conducted on January 23-24, 2009, by the Association of Water Board Directors. After discussion, the Directors declined to reschedule said Board meeting.

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. **Lightfoot Office Building**. Mr. Unterreiner reported that Jones & Carter has received and is reviewing the revised plans for this project.

3. **Midas International Corporation ("Midas")**. Mr. Unterreiner reported that Jones & Carter has reviewed the plans for the project and has forwarded comments to Midas. Ms. Parker submitted to and reviewed with the Board a draft Utility Commitment letter agreement between the District and Midas (the "Commitment"), under which the District would reserve until December 17, 2009, wastewater treatment capacity in an amount not to exceed 500 gallons per day ("gpd") and water capacity in an amount not to exceed 500 gpd in the District's presently existing water supply and sanitary sewer systems to serve the Midas tract.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Commitment. A copy of the Commitment as approved by the Board is attached hereto.

4. **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 design work for the utilities to serve the Stuebner-Airline tracts is nearing completion 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. Jones & Carter informed Tom Rolon of the NHCRWA of the condition of the District's Water Well No. 3 at Water Plant No. 2 (called "Well No. 3") and the likelihood that Well No. 3 would be out of service for several months to undergo repairs.

After discussion, the Board directed the District's Attorney to draft a letter to the NHCRWA General Manager, so as to provide written notice (1) of the need to repair Well No. 3; and (2) that the removal of Well No. 3 from service would impair the District's ability to provide groundwater to the NHCRWA as part of the Groundwater Transfer Program.

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.

10. **Ground Storage Tank No. 2 at Water Plant No. 1.** Mr. Unterreiner reported that the inspection of Ground Storage Tank No. 2 was delayed due to a leak in a valve connection with the booster pump suction. The leak has been repaired and the tank should be ready for inspection by next week.

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

12. **Geographic Information System ("GIS")**. Mr. Unterreiner stated that Jones & Carter is planning to scan the commercial plans into the GIS system.

13. **Level 2 Electrical Survey**. Mr. Unterreiner stated that Jones & Carter could perform the Electrical Survey on the District's water plants and sanitary sewer lift stations at a cost of \$2,800.

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

14. **NHCRWA Project 7C4-1**. Mr. Unterreiner reported that Jones & Carter had provided the "No Objection Letter" to the NHCRWA regarding the proposed water line and interconnection project 7C4-1 ("Project 7C4-1").

15. **Water Well No. 3**. Mr. Unterreiner discussed with the Board the proposed reworking of Well No. 3 (the "Well No. 3 Rework"). Jones & Carter has commenced the design phase of the Well No. 3 Rework project. Mr. Unterreiner remarked that the Board could determine that an emergency situation exists and undertake the Well No. 3 Rework on the basis of negotiated bids pursuant to Section 49.274 of the Texas Water Code.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the District's Engineer to proceed with the Well No. 3 Rework project on an emergency basis without the necessity of advertising for competitive bids, but with notice to the TCEQ, pursuant to Section 49.274; and (2) authorize Director Fowler to review and accept the negotiated bid for the Well No. 3 Rework on behalf of the District (with Director Williams to serve as an alternate).

16. **Auxiliary Generators**. Mr. Unterreiner reported that Jones & Carter is preparing a proposal regarding the use of auxiliary generators at the District's facilities for review at a future meeting of the Board.

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 91.6% and that the District has a total connection count of 785.

2. **System Repairs.** Mr. Ammel reported that the District's Operator had made repairs to (1) a fire hydrant at Stuebner-Airline Road and Oakwood Glen that had been struck by a vehicle; and (2) a leak in a service line at 7922 Fox Crossing.

3. **Storm Sewer Inlets at Detention Pond.** Mr. Ammel reported that the District's Operator had removed debris from the storm sewer inlets for the Detention Pond. Photographs of the inlets are included in the Operator's Report.

4. **Storm Inlet Marking Program.** Mr. Ammel reported that Harris County has confirmed that the District is on the list to receive the storm water inlet markers for use in the Clean Water Clear Choice program. The markers are expected to be available in late January 2009.

5. **Hurricane Ike Damage.** Mr. Ammel reported that, in conjunction with the District's filing of a Request for Public Assistance (the "RPA") with FEMA, EDP has compiled backup documentation to support the cost of hurricane preparation and recovery efforts related to Hurricane Ike. EDP has completed the RPA and the Contract Work Summary, and has attached the requisite support documents. A copy of the Contract Work Summary is included with the Operator's Report.

6. **Ground Storage Tank No. 1 at Water Plant No. 1.** Mr. Ammel reported that when Ground Storage Tank No. 1 ("GST No. 1") was drained for inspection, the District's Operator discovered that a valve was not closing properly and was causing a water leak at a rate of 10 gallons per minute ("gpm"). The valve was exercised until the water leak was reduced to a manageable level for inspection. EDP will remove the remaining water from GST No. 1 and notify the District's Engineer when the facility is ready for inspection.

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 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.

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 December 1, 2008, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

SCHEDULE SPECIAL BOARD OF DIRECTORS MEETING

Consideration was then given to scheduling a special meeting of the Board in order to (1) review the Audit Report for the fiscal year ended August 31, 2008; and (2) discuss the proposed creation of an internet web site for the District.

After discussion, the Board agreed to meet at 8:30 a.m. on Thursday, January 8, 2009.

CLOSED SESSION

Upon a motion duly made and seconded, the Board voted unanimously to convene in closed session at 9:06 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 9:16 p.m.

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

Approved this 29 January 2009.

Robert Ehmman
Secretary, Board of Directors

