

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

July 23, 2009

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, July 23, 2009**, 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: Jon Unterreiner, P.E., and Mike Christopher, E.I.T., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Mike Ammel of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Sean Redden, representing Claudia Redden of Redden & Associates, Inc., Bookkeeper for the District; Maria Parker, Dick Yale, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and the following members of the public: Bernie Bryl, Mike Morgan, Greg Lyman, Joseph Lyman, Diana L. Evans, and Bhaktahavachalam Palanisamy.

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

HEAR FROM THE PUBLIC

The President recognized Joseph Lyman, who informed the Board that he is working to complete his Citizenship in the Community merit badge for Boy Scouts.

Ms. Evans addressed the Board regarding the maintenance of the detention ponds (the "Detention Ponds") serving The Falls at Champion Forest, Champion Falls Estates, and Champion Woods Estates.

REQUEST FOR WAIVER OF PENALTIES AND INTEREST

Mr. Palanisamy addressed the Board and requested the waiver of penalties and interest imposed on his delinquent 2008 property taxes owed to the District. He explained to the Board that in June 2009 he received a letter from his mortgage company, stating that his 2008 property taxes owed to the District were delinquent. Mr. Palanisamy stated that he did not

receive a statement from the District for the 2008 property taxes, nor did he receive any prior notice of the taxes being delinquent. Attached hereto as an exhibit to these minutes is a letter dated 6 July 2009 from Mr. Palanisamy. Ms. Parker remarked that the District does not have the authority to waive penalty and interest on delinquent property taxes, except in cases involving a clerical error by the District or the Harris County Appraisal District. She stated that she would review this matter with Sara Alschlager of Wheeler & Associates ("Wheeler") the District's Tax Assessor/Collector.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Director Allard, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report on behalf of Ms. Ahlschlager. A copy of the Tax Assessor/Collector's Report is attached hereto. It was noted that the District has collected 96.79% of its 2008 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

Director Allard 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.

PEACE OFFICER'S REPORT

Mr. Green distributed copies of the Peace Officer's Report for June 2009, 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 J.M. Lightfoot Interests, L.P. A copy of the Development Report is attached hereto.

ENGAGE AUDITOR FOR FISCAL YEAR ENDING AUGUST 31, 2009

The President recognized Mr. Parker, who presented the Board with an engagement letter from David L. Merritt, P.C. for the audit of the District for the fiscal year ending August 31, 2009. Ms. Parker noted that the projected cost of such audit was approximately \$9,300 to \$9,700.

Discussion ensued regarding the engagement letter. The Directors expressed their desire for Mr. Merritt to attend a future meeting of the Board and provide additional information regarding the services to be provided to the District under the audit.

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 JUNE 15, 2009, AND JUNE 25, 2009

Proposed minutes of the meeting of the Board held on June 15, 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 June 15, 2009, as presented.

Proposed minutes of the meeting of the Board held on June 25, 2009, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to a revision to page 4 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of June 25, 2009, as amended.

AGREEMENT CONSOLIDATING AGREEMENTS/KLEIN INDEPENDENT SCHOOL DISTRICT ("KLEIN ISD")

Ms. Parker discussed with the Board the status of the proposed Agreement Consolidating Agreements for Use and Maintenance of Waste Transportation Facilities between the District and Klein ISD (the "Agreement"). The final form of the Agreement will be presented at the Board's meeting on 27 August 2009.

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 stated that he had nothing new to report on this matter. It was noted that Ms. Hilliard has begun clearing her property.
2. **Lightfoot Office Building**. Mr. Unterreiner reported that Jones & Carter has approved the revised plans for this project.
3. **Midas International Corporation ("Midas")**. Mr. Unterreiner reported that Jones & Carter is working to have the Storm Water Quality feature built and permitted for the detention pond in Champion Falls Estates that serves the Midas tract.
4. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Mr. Unterreiner reported that Jones & Carter has received the necessary easements, the recorded plat, and the plans for the public sanitary sewer line as approved by the City of Houston (the "City"). Jones & Carter approved the plans and requested that the engineer for Zaxby's contact Jones & Carter for an inspection of the constructed facilities. Zaxby's has agreed to remove and replace the sanitary sewer line and re-grade the detention pond.

5. **Klein ISD.** Mr. Unterreiner reported that Jones & Cater is working with Coats|Rose to finalize the contract between Klein ISD and the District in connection with its request for service to the new building. Jones & Carter has approved the plans for the utilities to serve the new building.

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. He informed the Board that the punch list items for Sections 1 and 2 have been addressed. Jones & Carter has scheduled the re-inspection by Harris County.

2. **HEB Lift Station Abandonment.** Mr. Unterreiner reported on the status of the abandonment of the old HEB Lift Station by G & N Enterprises. The project is complete, and Jones & Carter is coordinating with the District's Bookkeeper to close the electricity service account for the facility.

3. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter received comments from Harris County and the City on the design of the Stuebner-Airline utilities. Jones & Carter met with City personnel to discuss the details of the project, and they generally agree on the alignment. Jones & Carter is finalizing the design for the Stuebner-Airline utilities. Acquisition of easements along Cypresswood Drive can proceed, he told the Board.

4. **Water Line Across Bubbles Car Wash.** Mr. Unterreiner reported that Jones & Carter received comments from all review agencies. Said comments are being addressed and the design is being finalized.

5. **North Harris County Regional Water Authority ("NHCRWA") Coordination.** Mr. Unterreiner reported that Jones & Carter is coordinating all necessary items for the surface water conversion. The surface water tie-in project by the NHCRWA is complete and a final inspection was held during the previous week.

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. **Surplus Funds.** Mr. Unterreiner submitted to and reviewed with the Surplus Funds Summary prepared by Jones & Carter that lists the surplus funds available from the District's bond issues, and the potential projects to be reimbursed by surplus funds. He noted that Coats|Rose is preparing a Surplus Funds Resolution.

8. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner discussed with the Board the status of the conversion to a chloramine disinfection system at the District's water plants (the "Conversion") by Long & Son, Inc. ("Long"). The liquid ammonium sulfate (LAS) building has been set at Water Plant No. 1, and Long has completed a portion of the underground plumbing for the Conversion.

9. **Auxiliary Generators.** Mr. Unterreiner reported that Jones & Carter is looking into options for dual-fuel auxiliary generators at the District's facilities (the "Generators"). Jones &

Carter is coordinating with the District's Operator with regard to investigating options for the Generators.

10. **Water Plant and Lift Station Inspections.** Mr. Unterreiner reported that the inspections are complete. He submitted to and reviewed with the Board the inspection reports as prepared by Jones & Carter. Copies of the inspection reports are attached hereto.

11. **Centerpoint Energy, Inc. ("Centerpoint") Critical Load List.** Mr. Unterreiner reported that Jones & Carter has submitted the required application to have the District's facilities added to the Centerpoint Critical Load List, and is awaiting a response.

12. **Harris-Galveston Subsidence District ("HGSD") Permit.** Mr. Unterreiner reported that it might be necessary for Jones & Carter to amend the District's groundwater pumpage permit issued by the HGSD to allow for additional groundwater pumpage during the permit period.

13. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner reported that Jones & Carter is preparing specifications and will solicit bids for repairing the 18-inch storm sewer line at Water Plant No. 1.

14. **Detention Ponds/Champion Woods Estates and The Falls.** Mr. Unterreiner reported that Jones & Carter is assisting the District's Attorney with the preparation of agreements with the homeowner associations for the maintenance of the Detention Ponds.

15. **Stormwater Drainage/Annola Lane.** Mr. Unterreiner reported that Jones & Carter is working with the homeowners association for The Falls to clean up the swales.

16. **Emergency Preparedness Plan (the "EMP").** Mr. Unterreiner reported that Jones & Carter is drafting the EMP. Jones & Carter is evaluating the District's ability to meet the new power requirements.

17. **Champion Woods Estates Detention Pond.** Mr. Unterreiner reported that construction of the Storm Water Quality feature for the Detention Pond serving Champion Woods Estates is complete. The Storm Water Quality feature has been inspected and approved by Harris County.

Discussion then ensued as to whether residents of the District should have public access to the Detention Ponds serving The Falls and Champion Woods Estates. Ms. Parker pointed out to the Board that upon assuming ownership of the Detention Ponds, the District will maintain the facilities solely for the purpose of drainage and not as an amenity for the District. Accordingly, she continued, the public would not necessarily be granted a right of access to the Detention Ponds, any more than they would for other sites owned by the District, such as the Water Plant sites and the lift station sites.

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 86.2% and that the District has a total connection count of 784.

2. **System Repairs.** Mr. Ammel reported that the District's Operator had replaced 81 residential water meters that had registered usage of more than 1,000,0000 gallons. EDP repaired a water main leak at 7726 Friars Court and a service line leak at 7915 Heathrow.

3. **Fire Hydrant Painting/Maintenance.** Mr. Ammel reported that EDP had completed maintenance repairs to 15 fire hydrants located in the District (the "Hydrants"), and that 125 Hydrants have been painted.

4. **Drinking Water Quality Reports.** Mr. Ammel reported that the 2008 Drinking Water Quality Reports were mailed to the District's customers on June 25, 2009, and that the Certification of Delivery had been submitted to the Texas Commission on Environmental Quality. A copy of the Certification of Delivery is included with the Operator's Report.

5. **Water Accountability.** Mr. Ammel reported that EDP has authorized G-M Services, Inc. ("G-M"), to test the meters on the District's water wells, as well as the meter on the connection with the NHCRWA. G-M has completed testing of the meters on Water Wells Nos. 1 and 2 as of this date. Accurate Meter Services has performed accuracy testing of all commercial water meters in the District and has submitted a report to the District's Operator. EDP will evaluate the report and present a list of recommendations. EDP will complete its survey of the storm sewer outfalls in the District this week.

6. **Lift Station No. 3.** Mr. Ammel reported that the pump controller (the "Controller") on Lift Station No. 3 needs to be replaced with a Milltronics ultrasonic Controller with float backup system, at a price of \$3,850 as quoted by NTS Pumps, Motors & Controls ("NTS"). The existing pump controller failed to an electrical surge, and the lift station had no back-up. NTS installed a temporary float system to control the pumps until the Controller could be replaced. Mr. Ammel remarked that Lift Station No. 3 has an automatic dialing unit (the "Autodialer") but does not have a land telephone line. Inquiries to Southwestern Bell Telephone revealed that installing a land telephone line to the Lift Station No. 3 site would be difficult. Mr. Ammel recommended replacing the existing Autodialer with another brand that supports cellular telephone service. The initial cost would be approximately \$170, plus an annual cost of \$300 for the cellular telephone service.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the replacement of the Controller; and (2) authorize the replacement of the Autodialer.

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

Mr. Redden distributed copies of the report concerning the District Office (the "Office Report") on behalf of Roger Schuett, Office Manager. A copy of the Office Report is attached hereto. Director Williams reviewed the Office Report with the Board.

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

BOOKKEEPER'S REPORT

Mr. 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, and to authorize payment of the checks listed therein.

Kleinwood Maintenance Fund ("KMF")

Director Ehmann reported on the activities of the KMF.

Attached hereto as an exhibit to these minutes is a copy of a letter dated June 29, 2009, to the KMF from the District's Attorney regarding: (1) the use of the pool facilities that are owned by the District and leased to the KMF; (2) the use of the telephone located at the pool facilities; and (3) KMF's request to use the District telephone line for a telephone at the pool facilities that would be programmed to dial only 911 calls.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB. He noted that the KJPB is proceeding with the purchase of an emergency generator at an approximate cost of \$493,000. Director Williams submitted to and reviewed with the Board a Preliminary Project Time Line and Cost Expenditure Estimate (the "Time Line") as prepared by AEI Engineering, LLC, the engineer for the KJPB, in connection with the purchase of the emergency generator. A copy of the Time Line is attached hereto as an exhibit to these minutes.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the July 6, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

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

Approved this 27 August 2009.

Robert Elmann
Secretary, Board of Directors

