

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

February 26, 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, February 26, 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 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; Lieutenant L. Finley with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Floyd Mechler and Marshall Schoth representing AquaSurance, LLC ("AquaSurance"); 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: Lin Fish, Ray Cicconi, and Bernie Bryl.

PEACE OFFICER'S REPORT

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

HEAR FROM THE PUBLIC

The President recognized Mr. Cicconi, who addressed the Board regarding the posting of agendas for meetings of the Board at the District Office.

The President recognized Lin Fish, who addressed the Board regarding communications between the Board and the residents of the District.

FINANCIAL ADVISOR'S REPORT

The President recognized Ms. Parker, who presented the Financial Advisor's Report on behalf of Bill Blich of SAMCO Capital Markets, the District's Financial Advisor.

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

CONTINUING DISCLOSURE SUBMISSION

The President recognized Ms. Parker, who submitted to and reviewed with the Board the Continuing Disclosure Submission dated February 18, 2009. A copy of the Continuing Disclosure Submission is attached hereto.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Continuing Disclosure Submission and to authorize the District's Financial Advisor to file same with the appropriate agencies.

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. Ollie Hilliard is requesting a refund of her deposit due to prolonged delays with utility service. Ms. Parker reported that she informed Ms. Hilliard's attorney that pursuant to the terms of her Agreement, the deposit is non-refundable. Ms. Parker added that she informed Ms. Hilliard's attorney that the sole easements left to be acquired are from the Catholic Church (the "Easements"), and that receipt of said Easements is anticipated within 30 days.

2. **Lightfoot Office Building**. Mr. Unterreiner reported that Jones & Carter had reviewed the revised plans for this project and has provided comments.

3. **Midas International Corporation ("Midas")**. Mr. Unterreiner reported that Jones & Carter is preparing the as-built certificate for the detention pond plans and would submit them to Harris County.

4. **Zaxby's Chicken Dinner Restaurant**. Mr. Unterreiner reported that Jones & Carter has reviewed the construction plans for the proposed Zaxby's Chicken Dinner Restaurant outlet (the "Restaurant") and has provided comments to the engineer for the project. The project engineer addressed Jones & Carter's comments, with the exception of the sanitary sewer line required to be extended across the adjacent property along Louetta Road (the "Extension"). The project engineer is requesting interim service prior to completion of the Extension so that the owner can open the Restaurant in March 2009. This matter is further discussed under the Attorney's Report.

5. **Klein Independent School District ("Klein ISD")**. Mr. Unterreiner reported that Klein ISD is adding a new building and is working with Jones & Carter to determine the most advantageous location for connecting with the District's utility lines. Mr. Unterreiner stated that the preferable location for the connection would be along Lyons School Road.

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 Harris County with regard to approval of the paving portion of the project.

2. **HEB Lift Station Abandonment.** Mr. Unterreiner reported on the status of the abandonment of the old HEB Lift Station (the "Lift Station Abandonment") by G & N Enterprises ("G & N"). A pre-construction meeting is scheduled for February 27, 2009. Jones & Carter is coordinating with the District's Operator for bypass pumping. Attached hereto as an exhibit to these minutes is a memorandum from the District's Attorney regarding the bonds and insurance provided by G & N in connection with the Lift Station Abandonment.

3. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter is working with the District's Attorney on obtaining the final easement from the Archdiocese of Galveston-Houston (the "Archdiocese"). The plans for the utilities will be submitted to the City of Houston, Harris County, and the Texas Commission on Environmental Quality for review.

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. The NHCRWA is proceeding with construction of Project 7C-4.

8. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner reported that Jones & Carter is advertising for bids for the conversion to a chloramine disinfection system at the District's water plants (the "Chloramine Conversion"), with the bids to be opened on March 3, 2009.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize Director Allard to review and accept the low bid for the Chloramine Conversion on behalf of the District (with Director Ehmann to serve as an alternate); and (2) schedule a special meeting of the Board to review the bids in the event that the low bid is not accepted.

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 fund (1) the Champion Woods Estates Lift Station; and (2) the Water Well No. 2 Rework project. It is Jones & Carter's understanding that it is possible to close out the TWDB Series 2001 escrow account (the "Escrow Account") if

the amount of interest paid to the TWDB exceeds the amount remaining in the Escrow Account, including interest earnings. Jones & Carter submitted a spreadsheet to the TWDB showing that the criteria had been met and that the Escrow Account is eligible for close-out.

10. **Water Well No. 3/Emergency Repairs.** Mr. Unterreiner reported on the status of the reworking of Water Well No. 3 (the "Well No. 3 Rework") by Alsay, Inc. ("Alsay"). Alsay is installing the equipment and is expected to return Well No. 3 to service within two weeks. Mr. Unterreiner reviewed with the Board portions of a video inspection of Well No. 3 as prepared by Alsay. Mr. Unterreiner reported that Alsay had submitted Pay Estimate No. 1 in the amount of \$15,819.30 in connection with the Well No. 3 Rework. A copy of Pay Estimate No. 1 is attached hereto as an exhibit to these minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 1.

11. **Federal Emergency Management Agency ("FEMA")/Hazard Mitigation Grant Program.** The Board noted that there was nothing new to report in connection with this matter.

12. **Regency Shopping Center/Municipal Settings Designation.** Mr. Unterreiner reported that Jones & Carter is conducting further investigation in connection with the request from Regency Centers for a Municipal Settings Designation ("MSD") for a tract of land it owns in the District.

13. **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.

14. **Level 2 Electrical Survey.** Mr. Unterreiner stated that Jones & Carter is working to complete the Electrical Survey on the District's water plants and sanitary sewer lift stations.

15. **Aerial Photographs.** Mr. Unterreiner presented the Board with aerial photographs of the District for use at the District office.

Upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report, a copy of which is attached hereto.

PROPOSAL FOR INSURANCE COVERAGE

The President recognized Mr. Mechler, who submitted to and reviewed with the Board the Proposal for Insurance Coverage (the "Proposal") prepared by AquaSurance for the policy period of April 30, 2009, through April 30, 2010. The Directors deferred action regarding this matter to a future meeting of the Board.

TAX ASSESSOR/COLLECTOR'S REPORT

The President recognized Ms. Parker, who submitted to and reviewed with the Board the Tax Assessor/Collector's Report on behalf of Sara Ahlschlager of Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District. A copy of the Tax Assessor/Collector's Report is attached hereto. It was noted that the District has collected 87.39% 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.

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 JANUARY 22, 2009, JANUARY 29, 2009, AND FEBRUARY 13, 2009

Proposed minutes of the meeting of the Board held on January 22, 2009, 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 January 22, 2009, as written.

Proposed minutes of the meeting of the Board held on January 29, 2009, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of January 29, 2009, as amended.

Proposed minutes of the meeting of the Board held on February 13, 2009, 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 February 13, 2009, as written.

RESOLUTION REGARDING TAX EXEMPTIONS FOR 2009

Consideration was then given to a proposed Resolution Regarding Tax Exemptions for 2009.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant a twenty percent (20%) homestead exemption, to grant a \$10,000 exemption to persons who are 65 years of age and older or are disabled, and to approve the Resolution evidencing the tax exemptions, a copy of which is attached hereto.

CONFIRM AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

The President recognized Ms. Parker, who explained that the Board could impose an additional 20% penalty on all 2008 taxes, penalties, and interest delinquent on July 1, 2009 for real property (and prior to that date for personal property), said 20% charge to be used to

finance the costs of collection of the delinquent taxes. In order to do so, she continued, the Board must first confirm its agreement for delinquent tax attorney services with the firm of Perdue, Brandon, Fielder, Collins & Mott, L.L.P. (the "Agreement").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to confirm the Agreement.

RESOLUTION AUTHORIZING 20% PENALTY ON TAXES DELINQUENT ON JULY 1, 2009

Consideration was then given to a proposed Resolution Authorizing a 20% Penalty on delinquent taxes that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize a 20% penalty on 2008 taxes that are due and remain delinquent as of the applicable dates, pursuant to Sections 33.07, 33.08, and 33.11 of the Texas Tax Code, and to approve the Resolution evidencing the same. A copy of said Resolution is attached hereto.

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 (the "Agreements"). She submitted to and reviewed with the Board a proposed Letter of Commitment between the District and the Archdiocese. Ms. Parker remarked that the Archdiocese is proposing that (1) the water line and sanitary sewer lines to serve the Archdiocese's tract (the "Archdiocese Tract") be constructed within two years of execution of the Letter of Commitment; (2) the Archdiocese would receive copies of the water line and sanitary sewer line easements following recording of the instruments in the Official Public Records of Real Property of Harris County, Texas (the "Official Records"); (3) the utility commitment for the Archdiocese Tract would be in effect for four years from the date of completion of construction of the utility lines (with the District to give the Archdiocese written notice of said completion); and (4) the District would reserve water supply and sanitary sewer capacity for the Archdiocese Tract in the amount of 43,000 gallons per day ("gpd").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Archdiocese's proposal as stated above; (2) approve the Letter of Commitment with the Archdiocese; and (3) authorize Director Williams to execute same. A copy of the Letter of Commitment as approved by the Board is attached hereto as an exhibit to these minutes.

DEVELOPMENT AND SERVICE AGREEMENT/CHICKEN DINNER PROPERTIES, L.L.C.

Ms. Parker submitted to and reviewed with the Board a proposed Development and Service Agreement (the "Development Agreement") between the District and Chicken Dinner Properties, L.L.C. ("CDP"). She explained to the Board that under the Development Agreement, the District would agree to provide temporary service to the 1-acre tract owned by CDP (the "CDP Tract") for 180 days, contingent upon payment by CDP of: (1) a construction deposit in the amount of \$28,672 to cover the cost to obtain regulatory approval of and construction of the sanitary sewer line extension to serve the CDP Tract, said construction deposit to be refunded upon completion of construction of the sewer line extension; and (2) a plat deposit in the amount of \$5,000, said plat deposit to be refunded to CDP when CDP provides written evidence to the District that the CDP Tract has been platted and the plat recorded in the Official Records.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Development Agreement and to authorize Director Williams to execute same. A copy of the Development Agreement as approved by the Board is attached hereto as an exhibit to these minutes.

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

The Board discussed the status of the District's claim with FEMA for reimbursement of expenses incurred by the District in connection with Hurricane Ike. Mr. Ammel reported that FEMA officials are meeting this week at the offices of EDP to complete their review of the claims filed by water district clients of EDP.

RULES FOR IDENTITY THEFT

Ms. Parker advised the Board that new federal regulations that apply to water districts require the implementation of procedures for identify theft. The District must have regulations in place by May 1, 2009.

STRATEGIC PARTNERSHIP AGREEMENT/CITY OF HOUSTON

The Board discussed the possibility of the District being included in the enrollment of water districts in the next round of Strategic Partnership Agreements ("SPAs") with the City of Houston (the "City") for limited purpose annexation of water districts in its extraterritorial jurisdiction. Ms. Parker stated that she would contact Margaret Wallace of the City's Planning and Development Department regarding the future schedule for SPAs.

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 85.0% and that the District has a total connection count of 777.

2. **System Repairs.** Mr. Ammel reported that the District's Operator had (1) made repairs to a service line leak at 7910 Fox Crossing; and (2) replaced the 3-inch water meter at 16303 Lyons School Road. EDP installed five residential water taps during the reporting period.

3. **Fire Hydrant Maintenance.** Mr. Ammel reported that EDP is planning to flow test all of the fire hydrants located in the District (the "Hydrants") during the week of March 16, 2009. A notice to the customers regarding the flow testing will be inserted in the water bills being mailed out the following week. Mr. Ammel stated that the District's Operator would like for the Board to consider repainting the Hydrants after the flow testing and repairs are complete.

4. **Commercial Water Meter Repairs.** Mr. Ammel reported that EDP would begin testing the water meters serving the commercial establishments in the coming months in order to determine whether the appropriate type of water meter is in use for each application.

5. **Water Well No. 3 Check Valve.** Mr. Ammel reported that the 12-inch check valve on Water Well No. 3 (the "Check Valve") does not seat properly and is leaking water back into the

aquifer. He estimated the cost to replace the Check Valve at \$4,000. Director Fowler suggested that the District's Operator look into replacing the seat, rather than the Check Valve.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with repairs to the Check Valve at a cost not to exceed \$4,000.

5. **Water Plant No. 2 Fence.** Mr. Ammel reported that EDP is working with fence contractors to determine the best options for repairing the perimeter fence at Water Plant No. 2.

6. **Storm Inlet Marking Program.** Mr. Ammel reported that Harris County has received the storm water inlet markers for use in the Clean Water Clear Choice program. EDP will pick up the markers later this week and will install them next month.

7. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Ammel reported that sinkholes have formed over the storm drain from Water Plant No. 1. EDP will schedule a repair of the storm sewer line after the video inspection of the storm sewer line has been reviewed.

8. **Water Plant No. 1 Booster Pump Painting.** Mr. Ammel reported that EDP performed touch-up painting on the booster pumps at Water Plant No. 1.

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.

REQUEST FOR REIMBURSEMENT

Mr. Ammel submitted to and reviewed with the Board a letter dated December 21, 2008, from Brian and Tiffany Mohon, who requested that the District reimburse them for expenses incurred in connection with repairs made to the sanitary sewer service line at their residence. A copy of the letter is attached hereto as an exhibit to these minutes. The Board declined to take any action in connection with this matter.

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.

EMERGENCY PHONE/KLEINWOOD MAINTENANCE FUND ("KMF")

The Board discussed the request from the KMF to add an emergency telephone for the Kleinwood Pool (the "Telephone") that would be connected to the District's telephone line for the District Office. Mr. Schuett reported that he had investigated the cost for a Telephone that would be programmed to dial only the 911 emergency number.

After discussion, the Board directed the District's Attorney to draft a letter to the KMF, expressing the Board's desire that the KMF pay (1) the cost to purchase and install the Telephone at the District Office; and (2) the additional fee, if any, that would be applied to the District's monthly telephone service account in order to restrict the usage of the Telephone.

BOOKKEEPER'S REPORT

Mr. Schuett 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 February 2, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

ALLIANCE FOR WATER EFFICIENCY ("AFWE")

Ms. Parker reported that Barbara Payne of Payne Communications had recommended that the Board consider joining the AFWE. The Directors deferred discussion of this matter to a future meeting of the Board.

SPONSORSHIP OF WATER CONSERVATION EDUCATION MATERIALS

Ms. Parker reported that Ms. Payne had inquired as to whether the District would be willing to sponsor the purchase of water conservation materials for use at local elementary school. The Directors deferred discussion of this matter to a future meeting of the Board.

ESTABLISHING A WEB SITE

The Board discussed the establishment of the District's internet web site (the "Web Site") by Payne Communications and the Texas Network. Ms. Parker reported that the District's Attorney is submitting documents to the Texas Network for posting on the Web Site.

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

Approved this march 26, 2009

Robert Erman
Secretary, Board of Directors

