

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

January 22, 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, January 22, 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; Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator 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, Dick Yale, 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.

PEACE OFFICER'S REPORT

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

THE FALLS AT CHAMPION FOREST AMENITY LAKE/DETENTION POND

The President recognized various members of the public, who addressed the Board regarding the Board's consideration of assuming responsibility for the maintenance of the 6.5-acre tract in The Falls at Champion Forest ("The Falls") in which the amenity lake/detention pond are located (the "Property"), which is currently owned and maintained by the POA.

Director Ehmann motioned that the Board: (1) withdraw any conditional offers made by the District to the POA and the homeowners association for Champion Woods Estates subdivision (the "HOA") regarding the District assuming responsibility for the maintenance of the

detention ponds serving The Falls and Champion Woods Estates subdivisions; and (2) reconsider this matter in September 2009. Said motion died for lack of a second.

After further discussion, upon a motion duly made and seconded, the Board voted 3-2, with Directors Fratangelo, Fowler, and Ehmann in favor, and Directors Williams and Allard opposed, to withdraw any offers made by the District to the POA and to the HOA with regard to the District assuming responsibility for the maintenance of the detention ponds serving The Falls and Champion Woods Estates.

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.

HEAR FROM THE PUBLIC

The President recognized Lynn Fish, who addressed the Board regarding the appearance of the ground storage tank at the District's Water Plant No. 2.

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.

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 approved the plans for the project.

4. **Zaxby's Chicken Dinner Restaurant**. Mr. Unterreiner reported that Jones & Carter had received the application for service, application fee, and construction plans in connection with the proposed Zaxby's Chicken Dinner Restaurant outlet.

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 that bids for the abandonment of the old HEB Lift Station (the "Lift Station Abandonment") are being solicited and that Jones & Carter would present a Recommendation for Award at the Board's meeting on January 29, 2009.

Director Fratangelo remarked that a certain tract of land in proximity to the District's Water Plant No. 2 is not being maintained. After discussion, the Board directed the District's Attorney to transmit a letter to Regency Centers, requesting maintenance of the tract of land.

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. Jones & Carter is working with the District's Attorney on obtaining the final easement from the Archdiocese of Galveston-Houston.

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 provided the NHCRWA with a copy of the District's request to the Texas Commission on Environmental Quality (the "TCEQ") to proceed with emergency repairs to Water Well No. 3 at Water Plant No. 2 on the basis of negotiated bids. Mr. Unterreiner stated that the District's Engineer is coordinating with the NHCRWA regarding the removal of Well No. 3 from service.

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 revised and resubmitted to the TCEQ for review.

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 ("GST No. 2") revealed no major areas with pitting or corroding. No work is currently needed on GST No. 2. Mr. Unterreiner recommended that both ground storage tanks at Water Plant No. 1 be monitored on an annual basis in order to prevent any corrosion problems from progressing.

11. **Water Well No. 3/Emergency Repairs.** Mr. Unterreiner discussed with the Board the proposed reworking of Well No. 3 (the "Well No. 3 Rework"). Bids were solicited from three contractors, with Alsay, Inc. ("Alsay"), submitting the low bid in the amount of \$254,138. Mr. Unterreiner submitted to and reviewed with the Board the Recommendation for Award and Bid Tabulation Sheet for the Well No. 3 Rework as prepared by Jones & Carter, a copy of which

is attached hereto. Ms. Parker submitted to and reviewed with the Board a letter dated January 16, 2009, from the TCEQ, regarding the Well No. 3 Rework. She stated that the TCEQ has authorized the Well No. 3 Rework on the basis of negotiated bids pursuant to the provisions of Texas Water Code Section 49.274, in view of the emergency condition that could cause a health hazard or an unreasonable economic loss. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Green distributed copies of a memorandum from Coats|Rose regarding the bonds and insurance provided by Alsay for the Well No. 3 Rework. A copy of the memorandum is attached hereto. Ms. Parker noted that the Board had previously authorized 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). Mr. Unterreiner then presented the contracts for the Well No. 3 Rework for execution by the Board.

12. **Federal Emergency Management Agency ("FEMA")/Hazard Mitigation Grant Program.** Mr. Unterreiner reported that Jones & Carter submitted the Notice of Interest forms to FEMA requesting funding for permanent auxiliary generators at the District's facilities.

13. **Regency Shopping Center/Municipal Settings Designation.** Mr. Unterreiner reported that Regency Centers is seeking a Municipal Settings Designation ("MSD") for a tract of land it owns in the District. The MSD is essentially a prohibition against the use of groundwater below the property on account of groundwater contamination through the spill or discharge of a prohibited substance. As part of the process for seeking a MSD, the landowner must obtain resolutions supporting the MSD from the owners of water wells located within a 5-mile radius of the site. Jones & Carter is investigating this matter further. The Board took no action on this matter.

14. **Auxiliary Generators.** Mr. Unterreiner distributed copies of the cost estimate (the "Cost Estimate") prepared by Jones & Carter regarding various options for the use of auxiliary generators at the District's facilities. A copy of the Cost Estimate is attached hereto.

15. **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.

16. **Aerial Photographs.** Mr. Unterreiner reported that the updated aerial photographs of the District had been received and are being mounted 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.

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.

1. **Canopy Maintenance.** Mr. Schuett reported that the canopy adjacent to the District Office (the "Canopy") is in need of maintenance and repainting. Discussion ensued regarding responsibility for repairs and maintenance of the Canopy.

After discussion, the Board directed the District's Attorney to prepare a letter to the Kleinwood Maintenance Fund ("KMF"), requesting that the KMF undertake the maintenance and repainting of the Canopy.

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

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

Approved this 26 February 2009.

Robert Edmann
Secretary, Board of Directors

