

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

January 29, 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 **special session**, open to the public, on **Thursday, January 29, 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: Sara Ahlschlager of Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Karl Skarboszewski of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Bill Blitch of SAMCO Capital Markets, Financial Advisor for the District; David Merritt of David L. Merritt, P.C., Auditor for the District; Roger Schuett, Office Manager; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of land in 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 Bernie Bryl, resident of the District.

HEAR FROM THE PUBLIC

The President recognized Mr. Bryl, who addressed the Board regarding the property tax assessed by the District.

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.

CHAMPION WOODS ESTATES/DETENTION POND

The President recognized Mr. Lightfoot, who submitted to and reviewed with the Board a letter from the Community Association of Champion Woods Estates, Inc. (the "Association"), proposing that the District accept the detention pond (the "Detention Pond") located in Reserve D in Champion Woods Estates, Section 1, for maintenance and future development of

landscaping and park-like amenities therein (the "Park Development"). A copy of the letter is attached hereto as an exhibit to these minutes. Discussion ensued regarding the Association's proposal and the maintenance of the Detention Pond. Mr. Lightfoot stated that he would revise the Associations' proposal as follows for resubmission to the Board: (a) delete the reference to the Park Development; (b) propose that the Association contribute to the cost for the enhancement of the Detention Pond landscaping; and (c) propose that the District pay the Association for the annual cost to maintain the Detention Pond. The Directors deferred further discussion of this matter to a future meeting of the Board.

AUDIT FOR FISCAL YEAR ENDED AUGUST 31, 2008

The President recognized Mr. Merritt, who submitted to and reviewed with the Board a proposed audit for fiscal year ended August 31, 2008, a copy of which is attached hereto.

Mr. Merritt reviewed with the Board the draft Management Letter prepared in connection with the audit.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve said audit with changes as noted by the Board, subject to a 10-day review period for the District's consultants.

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 25.26% 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

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.

UNCOLLECTIBLE ACCOUNTS

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. The President recognized Ms. Ahlschlager, who submitted to and reviewed with the Board a List of Uncollectible Accounts as prepared by the District's Tax Assessor/Collector.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the List of Uncollectible Accounts.

REQUEST FOR ASSISTANCE/TAX ACCOUNT

Ms. Ahlschlager submitted to and reviewed with the Board a letter dated January 24, 2009, from Tom DellaValle, who requested assistance from the District with regard to payment of his 2008 property taxes due to the District. A copy of the letter is attached hereto. Ms. Parker stated that she would contact Mr. DellaValle and obtain additional information regarding his request.

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 DECEMBER 18, 2008, AND JANUARY 8, 2009

Proposed minutes of the meeting of the Board held on December 18, 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 18, 2008, as written.

Proposed minutes of the meeting of the Board held on January 8, 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 8, 2009, 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. Ms. Parker stated that she is responding to an inquiry from the attorney for Ollie Hilliard regarding the status of the utilities to serve the Stuebner-Airline tracts.

ANNUAL CALENDAR OF EVENTS

The President recognized Ms. Parker, who submitted to and reviewed with the Board an Annual Calendar of Events for the District (the "Calendar"). A copy of the Calendar is attached hereto.

HEB LIFT STATION ABANDONMENT

Ms. Parker submitted to and reviewed with the Board the Recommendation of Award for the HEB Lift Station Abandonment (the "Abandonment") as prepared by Jones & Carter, Inc., the District's Engineer. A copy of the Recommendation of Award is attached hereto as an exhibit to these minutes. Ms. Parker reviewed the Bid Tabulation that is attached to the

Recommendation of Award and noted that G & N Enterprises, Inc. ("G & N"), submitted the lowest base bid plus Alternates A1 and A3 in the amount of \$47,100.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to award the contract for the Abandonment to G & N.

INACCESSIBLE METER NOTIFICATIONS

The President recognized Ms. Parker, who reported that the District had received several Inaccessible Meter Notifications from Reliant Energy. Mr. Skarboszeski stated that EDP had contacted Centerpoint Energy (the entity responsible for reading the electric meters at the District's facilities, herewith "Centerpoint") several times to try and resolve the issue. EDP attempted two months ago to arrange an on-site meeting with Centerpoint personnel at Water Plant No. 1 in order to have a Centerpoint lock interlocked with the EDP lock, but Centerpoint would not send out a representative. EDP then provided Centerpoint with the gate combination at Water Plant No. 1, he told the Board. Centerpoint indicated that they would interlock their lock on the gate without EDP personnel being present at the site, he continued, but have not done so as of this date.

OPERATOR'S REPORT

The President recognized Mr. Skarboszewski, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations.** Mr. Skarboszewski reported that the billed to pumped ratio for the prior month was 89.1% and that the District has a total connection count of 781.

2. **System Repairs.** Mr. Skarboszewski reported that the District's Operator had made repairs to (1) short service lines at 7903 Friar Court and 16410 Lobo Lane; and (2) a 6-inch water meter at 8100 Cypresswood. EDP also replaced a 1.5-inch water meter at 16337 Stuebner-Airline Road.

3. **Commercial Water Meter Repairs.** Mr. Skarboszewski reported that nine of the 14 repairs to commercial water meters have been completed. Repairs to the remaining five commercial water meters should be completed the following week.

4. **Water Plant No. 2 Fence.** Mr. Skarboszewski reported that certain areas of the perimeter fence at Water Plant No. 2 are in need of repair. The District's Operator made temporary repairs to two sections of the fence in order to maintain security. EDP is consulting a fencing company regarding permanent repairs to the fence.

5. **Storm Inlet Marking Program.** Mr. Skarboszewski 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 at the end of the month.

6. **Ground Storage Tank No. 1 at Water Plant No. 1.** Mr. Skarboszewski reported that Ground Storage Tank No. 1 ("GST No. 1") has been disinfected and sampled. GST No. 1 should be returned to service later this week.

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. Skarboszewski, 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.

WATER WELL NO. 3/EMERGENCY REPAIRS

The President recognized Mr. Skarboszewski, who reported on the status of the reworking of Water Well No. 3 ("Well No. 3") by Alsay, Inc. ("Alsay"). Mr. Skarboszewski informed the Board that Alsay had pulled the pump motor on Well No. 3.

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 Fratangelo reported on the activities of the KMF.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

NHCRWA

Director Fratangelo reported on the activities of the NHCRWA. Mr. Green distributed copies of a memorandum from Coats|Rose regarding the January 5, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

ESTABLISHING A WEB SITE

The Board discussed the proposed establishment of an internet web site for the District (the "Web Site"). The Directors reviewed the proposal previously submitted by The Texas Network for the design of the Web Site, a copy of which is attached hereto. The Board also discussed the possibility of engaging Barbara Payne of Payne Communications to maintain the Web Site.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) accept the Texas Network proposal; and (2) solicit a proposal from Ms. Payne for maintenance of the Web Site.

MID-WINTER CONFERENCE/ASSOCIATION OF WATER BOARD DIRECTORS – TEXAS ("AWBD")

The Board discussed matters relating to the Mid-Winter Conference conducted January 23-24, 2009, in Austin by AWBD.

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

Approved this 26 February 2009

Robert Edman
Secretary, Board of Directors

(SEAL)

