

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

November 30, 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, November 30, 2009**, at 5:30 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 with the exception of Director Fratangelo, thus constituting a quorum.

Also present was: Sara Ahlschlager of Barbara Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Claudia Redden of Claudia Redden & Associates, Inc., Bookkeeper for the District; Jon Unterreiner, P.E., and Mike Christopher, E.I.T., of Jones & Carter, Inc. ("Jones & Carter"), Engineer for the District; Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; 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; Bill Blich with Blich Associates, Inc.; 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:

BOOKKEEPER'S REPORT

Ms. Redden 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.

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. Mr. Lightfoot discussed with the Board the possible development of 25 lots on the tract of land located east of Champion Woods Estates subdivision.

PEACE OFFICER'S REPORT

Mr. Green distributed copies of the Peace Officer's Report as prepared by the Harris County Precinct 4 Constable's Office. A copy of the Peace Officer's Report is attached hereto.

HEAR FROM THE PUBLIC

The President recognized Larry Chamberlin, who addressed the Board regarding the disposition of the Klein High School ("KHS") campus located in the District. Mr. Chamberlin stated that he and many parents of students at KHS are concerned that Klein Independent School District ("Klein ISD") intends to close the KHS campus located in the District and refurbish the structure for use as an administration building, while constructing a new KHS campus to be located near Highway 249 and Spring-Cypress Road. Mr. Chamberlin noted that the closing of the KHS campus in the District will likely result in reductions in property values. Mr. Chamberlin added that a decline in property values would likely have a negative impact on the District. The Board discussed notifying Klein ISD in writing of their concern that the closing of the KHS campus will have a negative effect on property values in the District and requesting that Klein ISD rebuild the existing KHS campus at its current location in the District before undertaking any other capital projects.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to draft the letter to Klein ISD as described above.

TERMINATE CONTRACT FOR FINANCIAL ADVISORY SERVICES

Consideration was then given to terminating the Contract for Financial Advisory Services (the "Contract") between the District and SAMCO Capital Markets ("SAMCO"). Ms. Parker submitted for the Board's approval a letter to SAMCO, expressing the District's desire to terminate the Contract with SAMCO (the "Termination Letter").

After discussion, upon a motion duly made and seconded, the Board voted unanimously to terminate the Contract with SAMCO and authorize Director Williams to execute the Termination Letter. A copy of the Termination Letter is attached hereto as an exhibit to these minutes.

APPROVE CONTRACT FOR FINANCIAL ADVISORY SERVICES

The President recognized Mr. Blich, submitted for the Board's approval a Contract for Financial Advisory Services (the "Contract") between the District and Blich Associates, Inc. ("Blich").

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

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 98.95% 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.

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 MEETING OF OCTOBER 22, 2009

Proposed minutes of the meeting of the Board held on October 22, 2009, previously distributed to the Board, were presented for consideration and approval. Director Allard requested a revision to page 8 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of October 22, 2009, as amended.

CAST BALLOT FOR HARRIS COUNTY APPRAISAL DISTRICT BOARD OF DIRECTORS ELECTION

The Board then considered casting a ballot to elect a candidate to the board of directors of the Harris County Appraisal District. Ms. Parker presented the Directors with (1) a RESOLUTION OF THE BOARD OF DIRECTORS OF KLEINWOOD MUNICIPAL UTILITY DISTRICT CASTING ITS BALLOT FOR THE ELECTION OF A PERSON TO THE BOARD OF DIRECTORS OF THE HARRIS COUNTY APPRAISAL DISTRICT (the "Resolution") and (2) a Certification of Ballot for Board of Directors of Harris County Appraisal District (the "Ballot"). The Board indicated its desire to cast a ballot for Glenn E. Peters of Horsepen Bayou Municipal Utility District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) cast its vote in favor of candidate Glenn E. Peters; (2) adopt the Resolution; and

(3) authorize Director Williams to execute the Ballot. Copies of the Resolution and Ballot are attached hereto and shall be considered to be part of these minutes.

AGREEMENT FOR LAW ENFORCEMENT SERVICES

The Board discussed the renewal of the Agreement for Law Enforcement Services between the District and Harris County for the period of January 1, 2010, through December 31, 2010 (the "Agreement"). Ms. Parker presented the Board with execution drafts of the Agreement.

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

AMEND RATE ORDER

Consideration was then given to amending the Rate Order with respect to the rate charged to the District's customers in connection with the regulatory assessment levied on the District (the "NHCRWA Water Fee") by the North Harris County Regional Water Authority (the "NHCRWA"). The Board discussed making the following change to Section 3.12 of the Rate Order:

"To cover the NHCRWA Water Fee assessed to the District, the District hereby imposes a monthly charge (the "NHCRWA Charge") equivalent to the NHCRWA's then current groundwater assessment rate per 1,000 gallons of metered water usage, plus an additional 10%. The Operator shall list the NHCRWA Charge on the Customer's bill as a separate line item and shall collect the NHCRWA Charge in addition to other charges. Failure by a Customer to pay the NHCRWA Fee shall result in the termination of water and sewer service in accordance with the provisions of this Rate Order."

After discussion, upon a motion duly made and seconded, the Board voted unanimously to amend the Rate Order as described above, to be effective as of January 1, 2010. A copy of the District's Rate Order is on file in the permanent records of the District.

STUEBNER-AIRLINE UTILITIES

Ms. Parker reported that the District's Attorney is working to acquire the final utility easements along Cypresswood Drive in order for the District to provide service to the tracts on Stuebner-Airline Road.

REQUEST FOR REIMBURSEMENT/DISTRICT & URBAN

Ms. Parker reported on the status of the reimbursement to District & Urban of its eligible development costs related to the 0.90-acre and 1.12-acre tracts on Louetta Road (the "Flagship Tracts"). She informed the Board that District & Urban had submitted its reimbursement request and financial documentation related to the development of the Flagship Tracts to Jones & Carter. The District's Attorney has reviewed the documentation and will forward same to David L. Merritt, P.C., the District's Auditor.

MAINTENANCE OF DETENTION PONDS

The Board discussed matters relating to the maintenance of the detention ponds serving The Falls at Champion Forest and Champion Woods Estates (the "Detention Ponds"). Ms. Parker reported that the District's Attorney had revised the proposed Detention Pond Agreements (the "Agreements") with The Falls at Champion Forest Property Owners Association, Inc. (the "Falls Association"), and the Community Association of Champion Woods Estates, Inc. (the "Champion Woods Association"), pursuant to the discussion at the Board's meeting on October 22, 2009, and had forwarded the proposed Agreements to the Associations for comment. She reviewed with the Board an electronic mail message from Mr. Lightfoot on behalf of the Champion Woods Association, requesting revisions to Section 1 of the Agreements (the "Revisions") relating to: [a] the frequency of fertilizing and over-seeding of the Detention Ponds (the "Fertilizing"); and [b] repairs to the Detention Ponds (the "Pond Repairs"). A copy of the electronic mail message is attached hereto and shall be considered to be part of these minutes. Ms. Parker stated that Mr. Lightfoot had proposed that the Fertilizing be performed by the District "at a frequency to be determined by the District that is deemed appropriate and necessary for the maintenance of the fully vegetated side slopes, maintenance berms and bottom," rather than "at the sole discretion of the District." With respect to the Pond Repairs, she continued, Mr. Lightfoot had proposed that the Agreement be clarified to express the intent that the District would be responsible for "minimizing erosion and eliminating sink holes, as well as removing sediment from time to time, in order to ensure the proper drainage and functioning of the Detention Pond." Ms. Parker stated that if approved by the Board, the Revisions would be incorporated into both Agreements with the Associations.

After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Williams, Fowler, and Allard in favor, and Director Ehmann opposed, to revise the Agreements as described above.

Ms. Parker then reviewed with the Board a draft of the Agreement between the District and the Kleinwood Maintenance Fund ("KMF") regarding the Walking Garden/Detention Pond. She stated that the Revisions would also be incorporated into the KMF Agreement.

EXTENSION OF WATER AND SEWER COMMITMENT / MIDAS INTERNATIONAL CORPORATION ("MIDAS")

Ms. Parker informed the Board that Midas has requested a one-year extension to the term of the Water and Sewer Commitment (the "Midas Commitment") for the Midas Tract that was approved by the Board on December 18, 2008. She noted that Midas had not returned to the District's Attorney a fully-executed Midas Commitment as of this date. Ms. Parker submitted for the Board's review and approval an Extension of Water and Sewer Commitment instrument (the "Extension") to extend the term of the Midas Commitment for one year, commencing December 1, 2009, and expiring on November 30, 2010.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Extension and to authorize Director Williams to execute same, contingent upon Midas providing the District with a fully-executed Midas Commitment. A copy of the Extension as approved by the Board is attached hereto.

PARTIAL RELEASE OF EASEMENT RIGHTS / WATER WELL NO. 3

The Board then discussed matters relating to the Sanitary Control Easement (the "Easement") for Water Well No. 3 ("Well No. 3"). Ms. Parker submitted for the Board's review and approval a Partial Release of Easement Rights instrument (the "Partial Release"). She explained that under the Partial Release, the District would release a portion of the Easement to correctly reflect that the prohibition of privies, cesspools, septic tanks, sanitary sewers, sewer appurtenances, storm sewers, cemeteries and sewer treatment drain field would be limited to the area within 50 feet of Well No. 3.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Partial Release and to authorize Director Williams to execute same. A copy of the Partial Release as approved by the Board is attached hereto and shall be considered to be part of these minutes.

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 Ms. Hilliard had cleared her property but has not requested service from the District.

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 received the Certificate of Compliance for the Storm Water Quality feature for the detention pond in Champion Falls Estates that serves the Midas Tract. The owner of the Midas Tract contacted Jones & Carter to request an extension of the Midas Commitment, and was referred to the District's Attorney. A representative of Midas informed Jones & Carter that a franchisee has been engaged and that construction on the Midas outlet is expected to commence soon.

4. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Mr. Unterreiner reported that Jones & Carter met with CE Barker ("Barker"), the contractor engaged by Zaxby's to construct the public sanitary sewer line (the "Sewer Line"). Jones & Carter will work with Barker and Zaxby's to ensure that all work on the Sewer Line is performed in accordance with the District's standards. Mr. Unterreiner noted that Barkers is revising its proposal to Zaxby's regarding the Sewer Line.

5. **Klein ISD**. Mr. Unterreiner reported that Jones & Carter reviewed the revised addendum for wastewater service at the request of the District's Attorney. He noted that Klein ISD plans to construct additional structures near the stadium.

ENGINEER'S REPORT

The President recognized Mr. Unterreiner, who presented the Engineer's Report as follows:

1. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter is reviewing the final plans for the Stuebner-Airline utilities prior to submitting them to Harris County for final approval, and is working with Coats|Rose to acquire the final easements along Cypresswood Drive. Jones & Carter will submit the plans for execution by the City of Houston once the easements have been recorded.

2. **Water Line Across Bubbles Car Wash.** Mr. Unterreiner reported that Jones & Carter solicited bids from four contractors for construction of the water line extension across the Bubbles Car Wash site (the "Water Line"). The apparent low bid was submitted by Scohil Construction services, L.L.C. ("Scohil") in the amount of \$32,765. A copy of the Recommendation of Award and bid tabulation as prepared by Jones & Carter is attached hereto as an exhibit to these minutes. Mr. Unterreiner stated that Harris County approval of the plans for the Water Line is expected this week.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the low bid and award the contract for the Water Line to Scohil.

3. **NHCRWA Coordination.** Mr. Unterreiner reported that Jones & Carter provided the District's Bookkeeper with revisions to the District's Operating Budget in accordance with the increase in the NHCRWA Fee to become effective January 1, 2010.

4. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** Mr. Unterreiner reported that Jones & Carter forwarded copies of the smoke testing report to EDP in order to determine which issues indicated in the smoke testing report had been addressed by the District's former Operator, Southwest Water Company.

5. **Surplus Funds.** Mr. Unterreiner reported that Jones & Carter has prepared an expedited application for the release of \$719,176 in surplus funds. In order to avoid having the surplus funds being escrowed, Jones & Carter will delay submission of the application to the Texas Commission on Environmental Quality (the "TCEQ") until all agency approvals have been received for the Bubbles Express Water Line project.

6. **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"). All work is complete with the exception of the installation of the Chem-Scan units and the start-up testing. Mr. Unterreiner stated that the District could be ready for the conversion to surface water by February 2010. Consideration was then given to notifying the District's customers of the increase in the NHCRWA Fee to become effective on January 1, 2010 (the "Notification").

After discussion, the Board directed the District's Attorney to draft a Notification letter regarding the increase in the NHCRWA Fee for posting on the District's web site.

7. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner reported on the Water Plant No. 1 Storm Sewer Repairs (the "Sewer Repairs") by Scohil. The Sewer Repairs are complete and Jones & Carter has scheduled a final inspection for the following week. Scohil submitted Pay Estimate No. 1 in the amount of \$25,673.75 in connection with the Sewer Repairs. 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.

8. **Emergency Preparedness Plan (the "EPP")**. Mr. Unterreiner reported that the TCEQ is scheduled to release the EPP requirements on December 1, 2009. Jones & Carter will proceed with preparation of the EPP when the TCEQ releases the EPP requirements.

9. **Auxiliary Generators**. Mr. Unterreiner reported that Jones & Carter is evaluating the need and options for (a) an auxiliary generator at Water Plant No. 2; and (b) auxiliary generators for the District's sanitary sewer lift stations.

10. **Flagship and District & Urban Reimbursement**. Mr. Unterreiner reported that Jones & Carter reviewed the reimbursement request submitted by District & Urban and forwarded the request with a cost summary to the District's Attorney.

11. **Detention Ponds/Champion Woods Estates and The Falls**. Mr. Unterreiner reported that Jones & Carter coordinated with the District's Attorney to revise the proposed Detention Pond Agreements pursuant to the discussion at the Board's meeting on October 22, 2009.

12. **CVS Lift Station Electric Service Account**. Mr. Unterreiner reported that Bob Wooten of Tradition Energy, the District's electric service consultant, has confirmed that the electric service account for the CVS Lift Station has been added to the District's current electric contract.

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. Thiry, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations**. Mr. Thiry reported that the billed to pumped ratio for the prior month was 89.2% and that the District has a total connection count of 793.

2. **System Repairs**. Mr. Thiry reported that the District's Operator had replaced ten residential water meters that had registered usage of more than 1,000,000 gallons. EDP repaired one leak in a long service line. Four of the 2-inch water meters that were registering slow from the most recent meter test report were replaced.

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. Thiry, 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 presented the report concerning the District Office (the "Office Report").

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

KMF

Director Ehmann reported that there was no KMF meeting in November.

THE FALLS ASSOCIATION

Director Fowler reported on the activities of The Falls Association.

CHAMPION WOODS ASSOCIATION

Mr. Lightfoot reported on the activities of the Champion Woods Association.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

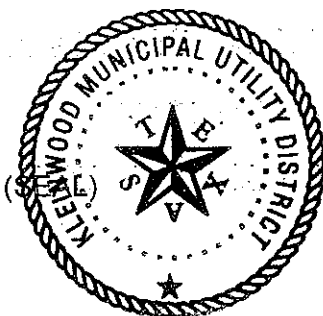
Director Williams reported on the activities of the KJPB. He discussed with the Board matters relating to the inspection conducted at the Kleinwood Regional Wastewater Treatment Plant (the "Plant") by the U.S. Environmental Protection Agency (the "EPA"). Director Williams stated that the engineer for the KJPB had submitted a written response to the EPA regarding the alleged violations at the Plant.

NHCRWA

Mr. Green distributed copies of a memorandum from Coats|Rose regarding the November 2, 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 17 December 2009



Robert Ehmann
Secretary, Board of Directors