

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

September 24, 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, September 24, 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 Barbara Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Jon Unterreiner, P.E., and Mike Christopher, E.I.T., 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; 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 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.

HEAR FROM THE PUBLIC

The President recognized Vic Moravnek, who addressed the Board regarding the maintenance of the detention ponds serving The Falls at Champion Forest, Champion Falls Estates (collectively, "The Falls"), and Champion Woods Estates.

Bernie Bryl addressed the Board regarding the condition of certain pine trees in the District that have died due to an infestation of pine bark beetles. Ms. Parker remarked that the affected pine trees are located on property owned by The Falls at Champion Forest Property Owners Association, Inc. (the "Association"), and that the Association had been notified of the situation.

Ray Cicconi addressed the Board regarding the patrol schedule for the Precinct 4 Deputy Constables who are assigned to the District.

PEACE OFFICER'S REPORT

Mr. Green distributed copies of the Peace Officer's Report for August 2009, a copy of which is attached hereto.

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 98.56% 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 MEETING OF JULY 23, 2009

Proposed minutes of the meeting of the Board held on August 27, 2009, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to revisions to pages 7 and 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 August 27, 2009, as amended.

REQUEST FOR REIMBURSEMENT/FLAGSHIP PROPERTIES ("Flagship")

Ms. Parker reported on the status of Flagship's request for reimbursement of its eligible development costs related to the 0.90-acre and 1.12-acre tracts on Louetta Road. She informed the Board that Bill Blitch of Samco Capital Markets, the District's Financial Advisor, is revising the Flagship Reimbursement Analysis. She recommended that that Board defer consideration of this matter, pending final calculation of the taxable value of the Flagship Tracts.

AMEND RATE ORDER

Consideration was then given to amending the Rate Order with respect to the rate charged for any sprinkler connection in an esplanade. The Board discussed making the following change to the Rate Order:

Sprinkler for Esplanade. For any sprinkler connection in the esplanade, the rate to be billed shall be \$0.80 per 1,000 gallons and the regulatory assessment levied by the North Harris County Regional Water Authority (the "NCRWA Fee").

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 September 24, 2009. A copy of the District's Rate Order is on file in the permanent records of the District.

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 is being submitted to Klein ISD.

MAINTENANCE OF DETENTION PONDS

The Board discussed matters relating to the maintenance of the detention ponds (the "Detention Ponds") serving The Falls at Champion Forest and Champion Woods Estates. Ms. Parker distributed to the Board copies of the draft Detention Pond Agreements between the District and The Falls at Champion Forest Property Owners Association, Inc., and the Community Association of Champion Woods Estates, Inc. The Board discussed matters relating to the Detention Ponds again later in the meeting.

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 construction of the Storm Water Quality feature (the "SWQ Feature") for the detention pond in Champion Falls Estates that serves the Midas tract is complete. Jones & Carter is working with the homeowner association for Champion Falls Estates to obtain the permit for the SWQ Feature from Harris County.

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. It is Jones & Carter's understanding that the project will soon commence.

5. **Klein ISD**. Mr. Unterreiner reported that construction of the utilities to serve the new building is underway.

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"). Jones & Carter is coordinating repairs with Clearwater and EDP for a few minor punch list items.

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 electricity service account for the facility has been closed out.

3. **Stuebner-Airline Utilities.** Mr. Unterreiner reported that Jones & Carter is finalizing the design for the Stuebner-Airline utilities, and is working with Coats|Rose to acquire the final easements along Cypresswood Drive. Jones & Carter will submit the plans for final approval once the easements have been recorded.

4. **Water Line Across Bubbles Car Wash.** Mr. Unterreiner reported that Jones & Carter is addressing the comments from all review agencies. The project will be ready for bid when the design for the water line (the "Bubbles Water Line") is finalized.

Upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to solicit bids for the Bubbles Water Line.

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.

6. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** Mr. Unterreiner reported that Jones & Carter is reviewing the videos in order to determine whether all of the sanitary sewer lines had been examined. Jones & Carter is working with EDP to determine whether all of the issues indicated in the smoke testing report had been addressed.

7. **Surplus Funds.** Mr. Unterreiner reported that Jones & Carter is preparing an expedited application for the release of \$719,176 in surplus funds. The application will be submitted to the Texas Commission on Environmental Quality (the "TCEQ") prior to the Board's meeting in October 2009.

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 contractor has completed most of the underground plumbing at both water plants. The electrical and chloramine equipment subcontractors are scheduled to move on-site the following week to complete the remainder of the work. The scheduled completion date of the Conversion is October 20, 2009.

9. **Water Plant and Lift Station Inspections.** Mr. Unterreiner reported that the inspections are complete. All but two of the deficiencies noted during the inspections have been addressed by the District's Operator.

10. **Harris-Galveston Subsidence District ("HGSD") Permit.** Mr. Unterreiner reported that Jones & Carter has submitted a permit renewal application for 360,000,000 gallons last month to the HGSD. The District has received an invoice in the amount of \$6,120 from the NHCRWA for the District's share of the NHCRWA's aggregate water well permit. It is the understanding of Jones & Carter that the District's water well permit payments and reimbursement will be administered by the NHCRWA from this point forward.

11. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner reported on the Water Plant No. 1 Storm Sewer Repairs (the "Sewer Repairs") by Scohil Construction Services, LLC ("Scohil"). Jones & Carter will issue the Notice to Proceed following execution of the contracts. Attached hereto as an exhibit to these minutes is a copy of a memorandum from Coats|Rose regarding the bonds and insurance provided by Scohil on the contract for the Sewer Repairs.

12. **Emergency Preparedness Plan (the "EMP").** Mr. Unterreiner reported that the TCEQ is scheduled to release the EMP requirements on December 1, 2009. Jones & Carter is evaluating the District's ability to meet the new power requirements.

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. **Flagship and District & Urban Reimbursement.** Mr. Unterreiner reported that Jones & Carter is working with the District's Attorney and Financial Advisor to provide the necessary information to determine if the Flagship Tracts have sufficient taxable value to qualify for reimbursement of eligible development costs.

15. **Groundwater Rule (the "Rule").** Mr. Unterreiner reported that the purpose of the Rule is to reduce the risk of illness caused by microbial contamination in public groundwater systems. The Rule requires public groundwater systems to begin source monitoring and to take corrective action if there is a positive fecal coliform test from a water sample in the distribution system. Jones & Carter is working the District's Operator to determine whether the District will need to take any action in connection with this matter.

16. **CVS Lift Station Electric Service Account.** Mr. Unterreiner reported that Bob Wooten of Tradition Energy, the District's electric service consultant, is contacting CVS with regard to having the electric service account for the CVS Lift Station transferred to the District.

17. **Water Loss Audit.** Mr. Unterreiner reported that Jones & Carter is working with the District's Operator to evaluate further options to determine where water loss is occurring. Mr. Ammel discussed with the Board various methods for determining the causes of water loss.

18. **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 serving The Falls and Champion Woods Estates.

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 93.9% and that the District has a total connection count of 794.

2. **System Repairs**. Mr. Ammel reported that the District's Operator had replaced 23 residential water meters that had registered usage of more than 1,000,0000 gallons. EDP repaired a leak in a 12-inch main water line at 7903 Fox Crossing, and had conducted a water leak investigation with valve work at Theiss Mail Route and Louetta Road.

3. **Water Accountability**. Mr. Ammel reported that Accurate Meter has performed accuracy testing of all commercial water meters in the District (the "Commercial Meters"). He reviewed with the Board the list of recommended repairs to certain Commercial Meters. A copy of the list is included with the Operator's Report. Mr. Ammel remarked that an upgrade to a 2-inch compound water meter might be needed on three of the Commercial Meters.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Operator to proceed with the repairs to the Commercial Meters as recommended, with upgrades to 2-inch compound water meters as needed.

4. **Lift Station No. 2**. Mr. Ammel reported that installation of the level controller for Lift Station No. 2 is complete.

5. **Lift Station No. 3**. Mr. Ammel reported that the replacement autodialer for the Lift Station No. 3 was shipped from the manufacturer on September 17, 2009, and is scheduled to be installed on September 30, 2009.

6. **Chloramine Conversion Customer Education**. Mr. Ammel stated that prior to converting to the chloramine disinfection method at the District's water plants, it will be necessary for the District to provide advance notification regarding the Conversion (the "Notice") to its customers. He reviewed with the Board samples of: (a) a Notice letter; and (b) a brochure for the Notice as prepared by EDP and Payne Communications ("Payne"). Copies of the aforementioned documents are included with the Operator's Report. Mr. Ammel remarked that the brochure provides considerably more information than the letter.

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.

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.

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.

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, and to authorize payment of the checks listed therein.

DEADLINE FOR SUBMISSION OF INVOICES

Consideration was given to establishing a deadline for the submission of invoices (the "Deadline") to the District's Bookkeeper in order to be considered for payment at the next regular meeting of the Board.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to establish a Deadline of noon on the Friday preceding each regular meeting of the Board.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Ehmann reported on the activities of the KMF.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB. Attached hereto as exhibits to this minutes are copies of (1) a electronic mail message Nancy Blackwell, P.E., of AEI Engineering, LLC, the engineer for the KJPB, regarding the policy for calculating and reporting Equivalent Single Family Connection values as adopted by the KJPB on September 2, 2009; and (2) an electronic mail message from Ms. Blackwell regarding the inspection conducted at the Kleinwood Regional Wastewater Treatment Plant by the U.S. Environmental Protection Agency.

NHCRWA

Mr. Green distributed copies of the following documents: (1) a memorandum from Coats|Rose regarding the September 14, 2009, meeting of the NHCRWA board of directors; (2) a letter from the NHCRWA regarding the invoice and implementation procedures for the aggregated water well permit affective water wells located within the NHCRWA's 2010 surface water conversion area; and (3) a letter from the NHCRWA transmitting a copy of the NHCRWA's Rate Order as adopted on August 3, 2009, and which extends the current groundwater pumpage fee levied by the NHCRWA of \$1.50 per 1,000 gallons for the period of October 1, 2009, through December 31, 2009. Copies of the aforementioned documents are attached hereto as exhibits to these minutes.

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to convene in closed session at 8:30 p.m., to discuss proposed real estate transactions.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to re-convene in open session at 10:02 p.m.

MAINTENANCE OF DETENTION PONDS

The Directors continued their discussion on matters relating to the maintenance of the Detention Ponds serving The Falls and Champion Woods Estates.

Director Fratangelo moved that consideration of the Detention Pond Agreements be deferred until June 2010. For lack of a second, the motion died.

CLOSED SESSION

Upon motion duly made and seconded, the Board voted unanimously to re-convene in closed session at 10:06 p.m., to discuss proposed real estate transactions.

OPEN SESSION

Upon motion duly made and seconded, the Board voted unanimously to re-convene in open session at 10:09 p.m.

MAINTENANCE OF DETENTION PONDS

The Directors continued their discussion on matters relating to the maintenance of the Detention Ponds serving The Falls and Champion Woods Estates.

After discussion, upon a motion duly made and seconded, the Board voted 3 to 1, with Directors Fratangelo, Ehmann, and Allard in favor, Director Fowler opposed, and Director Williams abstaining, to direct the District's Attorney to change the initial term of the Detention Pond Agreements to 1 year; and make other revisions to the Detention Pond Agreements as discussed in closed session.

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

Approved this 22 October 2009.

Robert Erman
Secretary, Board of Directors

