

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

25 February 2010

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 25 February 2010 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. ("J&C"), Engineer for the District; Mike Ammel and Eric Thiry of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Bill Blicht with Blicht Associates, Inc., the District's Financial Advisor; Roger Schuett, Office Manager; John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of Land in the District; Barbara Thomason representing the Houston Northwest Chamber of Commerce (the "Chamber"); James Woods representing The Falls at Champions Forest Property Owners Association (the "Falls Association"); Dick Yale, Marcia Oliver, and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C., Attorney for the District; and Bernie Bryl, a resident of the District.

The President called the meeting to order in accordance with notice posted pursuant to law, and the following business was transacted:

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.

CONTINUING DISCLOSURE SUBMISSION

The President recognized Mr. Blicht, who submitted to and reviewed with the Board the continuing disclosure submission dated 5 February 2010 as prepared by the District's Financial Advisor. A copy of the continuing disclosure submission is attached hereto. Mr. Green reported that annual continuing disclosure information required pursuant to the rules of the Securities and Exchange Commission had been filed with all of the necessary agencies through

(1) the Texas Municipal Advisory Council; and (2) the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system.

GREEN MEDIANS PROJECT / HOUSTON NORTHWEST CHAMBER OF COMMERCE

The President recognized Ms. Thomas, who informed the Board that the Chamber's Green Medians Committee (the "Committee") is seeking donations from water districts in the vicinity of F.M. 1960 for the Chamber's Green Medians project (the "Project"). She submitted to and reviewed with the Board a pamphlet regarding the Project, a copy of which is attached hereto as an exhibit to these minutes. Ms. Thomas explained that the Texas Department of Transportation is installing raised medians and extended left-turn lanes on F.M. 1960 from Interstate 45 to Mills Road. In conjunction with this Project, she continued, the Committee desires to improve the medians with landscaping. The donations received from water districts would help pay for the cost to irrigate and maintain the landscaped medians, she told the Board. The Directors expressed their interest in having the District contribute \$2,500 to the Chamber for the Project.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the payment of \$2,500 to the Chamber as a donation to the Project.

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 the Tax Assessor/Collector's Report is attached hereto. It was noted that the District has collected 86.89% of its 2009 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Ahlschlager noted that Wheeler was requesting approval for 10 checks written on the District's tax account, and two transfers by wire as follows: \$262,217.35 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$500,000 to the District's Debt Service Fund.

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.

RESOLUTION CONCERNING TAX EXEMPTIONS FOR 2010

Next, Mr. Yale submitted a draft RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION for the Board's consideration. Mr. Yale noted that the resolution had been prepared with the same exemptions that had been offered for 2009, that is \$10,000 for persons who are disabled or who are sixty-five years of age or older (the "Exemption") and a 20% general residential homestead exemption. A discussion ensued regarding the Exemption. The Directors expressed their desire to increase the Exemption to \$20,000. Mr. Blitch said that such an increase would not significantly adversely impact the District's tax base.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to grant the following exemptions for 2010 and to adopt a RESOLUTION CONCERNING EXEMPTION OF RESIDENCE HOMESTEADS FROM TAXATION: (1) \$20,000.00 exemption for individuals who are disabled or sixty-five years of age or older; and (2) a 20% general

residential homestead exemption. A copy of the Resolution is attached hereto and shall be considered to be part of these minutes.

AGREEMENT FOR DELINQUENT TAX COLLECTION SERVICES

Mr. Yale then explained that the Board could impose a statutory charge (the "Collection Charge") of up to 20% on all 2009 taxes, penalties, and interest delinquent as of the applicable dates specified in Sections 33.07, 33.08, and 33.11 of the Texas Tax Code, said Collection Charge to be used to finance the costs of collection of the delinquent taxes. In order to do so, he 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.

COLLECTION CHARGE ON ALL DELINQUENT 2009 TAXES, PENALTIES, AND INTEREST

Consideration was then given to imposing the Collection Charge as described above. After discussion, upon a motion duly made and seconded, the Board voted unanimously to impose a 20% Collection Charge on all 2009 taxes, penalties, and interest 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. A copy of the CERTIFICATE OF BOARD ACTION related to this matter is attached hereto as an exhibit to these minutes.

DEVELOPMENT REPORT

Mr. Lightfoot reviewed with the Board the Development Report as prepared by Lightfoot, regarding the status of development in The Falls at Champion Forest, Champion Falls Estates (herein collectively the "Falls") and Champion Woods Estates (herein "Champion Woods"). A copy of the Development Report is attached hereto.

MAINTENANCE OF DETENTION PONDS

The Board discussed matters relating to the maintenance of the detention ponds serving The Falls (the "Detention Ponds"). Mr. Woods addressed the Board regarding the proposed Detention Pond Agreement (the "Agreement") that was forwarded by the District to the Falls Association. He informed the Board that the Falls Association had rejected the proposed Agreement, citing concerns regarding the requirement under the Agreement that the Detention Ponds would be deeded to the District. Mr. Woods submitted for the Board's review a letter dated 16 February 2010 from the Falls Association to the District regarding the Agreement. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Woods explained that the Falls Association desires for the District to maintain the stormwater quality ("SWQ") features of the Detention Ponds and assume responsibility for the SWQ permitting, while the Falls Association would retain ownership of the property and maintain the amenity features such as the fountains, water wells, lights, as well as perform normal grounds maintenance. A discussion ensued regarding the Detention Ponds. The Directors expressed their reluctance for the District to assume responsibility for the SWQ maintenance and permitting for the Detention Ponds unless the property is deeded to the District. Mr. Unterreiner remarked that the provisions of the Agreement would not prevent the Falls Association from maintaining the amenity features at the Detention Ponds. Mr. Yale stated that under the Agreement, the Falls Association would be responsible for the mowing but could not add features that might interfere with the SWQ

features of the Detention Ponds. Director Allard stated that the Board had been advised by the District's Attorney that it would be in the District's best interest, with respect to SWQ maintenance and permitting, for the District to own the Detention Pond sites. After further discussion, the Board declined to take any action in connection with this matter.

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 92.0% and that the District has 798 service connections, including 10 vacant single-family residences.

A discussion ensued regarding the billed to pumped ratio. Director Fowler inquired about the possibility of installing so-called "smart" water meters on major water lines in order to monitor the District's water distribution system. Mr. Ammel discussed with the Board possible options for regional master water meters.

2. **Utility Operator's Report.** Mr. Ammel reviewed with the Board the utility billing summary, accountability report, subsidence district report, North Harris County Regional Water Authority ("NHCRWA") fee report and the 30-day delinquent list, as shown in the Operator's Report attached hereto.

A. **Substantial System Repairs.**

7715 Louetta	Assist contractors with water line installation (2/9/10)	\$ 2,485.83
7602 Feliciana	Service line leak (1/20/10)	\$ 944.65
Stuebner Airline	Pumped down conduit system (Oct. 2009)	\$ 1,120.00
Stuebner Airline	Pumped down conduit system (Dec. 2009)	\$ 2,008.00
16803 Stuebner Airline	Listening equipment and hydrant excavation (11/6/09)	\$ 2,621.78
16807 Stuebner Airline	Excavated service lines near manhole (11/5/09)	\$ 1,970.84
Stuebner Airline	Line isolation and manhole pump downs (Dec. 2009 & January 2010)	\$ 6,626.92

B. **Water leak on Stuebner-Airline.** Mr. Ammel reported on the measures taken by the District's Operator to determine the source of the water leaking from the AT&T manhole on Stuebner Airline Road just north of Louetta. He explained that Mr. Thiry and Mr. Christopher met with representatives of AT&T and the NCHRWA on 11 February 2010 to discuss the status of the AT&T manhole. He noted that AT&T had not volunteered to undertake any additional investigation to determine the source of the water. EDP has taken several measures to determine the source of the water, he continued, including excavation, listening equipment, pumping down the telephone conduit system, and sampling and chemical analysis of the water. Mr. Ammel added that EDP had also conferred with the operators and engineers for nearby water districts and the NHCRWA regarding this matter and had come to the conclusion that the District's system was not the source of the water leaking from the manhole.

C. Fire Hydrant at Stuebner-Airline and Louetta. Mr. Ammel reported that the District's Operator had conferred with the District's Engineer and Attorney to verify the utility easement in the area prior to relocating and resetting the fire hydrant in front of the Exxon Station at the northwest corner of Stuebner-Airline.

D. Louetta Water Line Extension. Mr. Ammel reported that on 9 February 2010 the District's Operator had assisted the contractors installing the new section of water line in front of the Bubbles Car Wash on Louetta Road by supplying temporary water service to the Denny's restaurant, and by isolating and flushing the water line.

E. 12-inch Insertion Valve along Louetta. Mr. Ammel recalled that at the 30 November 2009 meeting the Board authorized the District's Operator to install a 12-inch insertion valve (the "Insertion Valve") on the water line along Louetta Road west of Stuebner Airline, in order to allow for the isolation of the water line approaching the intersection without having to isolate the water service to Klein High School. He reviewed with the Board photographs of the installation of the Insertion Valve, copies of which are included with the Operator's Report.

F. NHCRWA Monthly Reporting. Mr. Ammel reported that effective January 2010, the NHCRWA is requiring water districts within its jurisdiction to report water production and/or surface water consumption on a monthly basis, rather than on a quarterly basis. Director Fowler requested that the District's Operator provide the Board with invoice documentation for the groundwater sold by the District to the NHCRWA pursuant to the Groundwater Transfer Agreement.

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.

SENATE BILL 361 / EMERGENCY PREPAREDNESS PLAN

The Board discussed matters relating to compliance with Senate Bill 361 as approved by the 81st Texas Legislature (2009), including the submission to the Texas Commission on Environmental Quality (the "Commission") by 1 March 2010 of an emergency preparedness plan for the District (the "Preparedness Plan"). Mr. Unterreiner submitted to and reviewed with the Board the draft Preparedness Plan. The Directors requested certain minor revisions to the Preparedness Plan.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Preparedness Plan as revised, and to adopt the RESOLUTION ADOPTING EMERGENCY PREPAREDNESS PLAN FOR KLEINWOOD MUNICIPAL UTILITY DISTRICT, a copy of which is attached to 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's attorney had contacted J&C requesting a status update on the Stuebner Airline trunk utility project.

2. **Lightfoot Office Building**. Mr. Unterreiner reported that J&C had approved the revised plans for this project.

3. **Midas International Corporation ("Midas")**. Mr. Unterreiner stated that there was nothing new to report on this matter.

4. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Mr. Unterreiner reported that the owner of the property had not entered into a contract as of this date for the remediation of the sanitary sewer line (the "Sewer Line"). Ms. Oliver informed the Board that the District's Attorney had forwarded a letter to Chicken Dinner Properties, LLC (called "CDP"), and Carter Engineering Consultants, stating that unless the remedial work on the Sewer Line is under contract by 19 March 2010 and is completed by 18 April 2010, the District would proceed with the work necessary to bring the Sewer Line into full compliance with the Development and Service Agreement dated 26 February 2009 between the District and CDP. A copy of the letter is attached hereto as an exhibit to these minutes. Mr. Unterreiner reported that the remedial work will have to include corrections to the detention pond serving the Zaxby's tract, because as constructed, the detention pond encroaches onto a District utility easement.

5. **Klein Independent School District ("KISD")**. Mr. Unterreiner reported that J&C has provided their comments on the revised Waste Transportation Facilities Agreement (the "Facilities Agreement") with KISD to the District's Attorney. Mr. Yale reported that the District's Attorney is working to finalize the Facilities Agreement.

ENGINEER'S REPORT

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

1. **Stuebner Airline Utilities**. Mr. Unterreiner reported that J&C is reviewing the final plans for the Stuebner Airline utilities and will submit them to the City of Houston for execution once the easements have been recorded.

2. **Water Line Across Bubbles Car Wash**. Mr. Unterreiner reported that J&C conducted the final inspection of the water line extension across the Bubbles Car Wash site (the "Extension") as constructed by Scohil Construction Services, L.L.C. ("Scohil"), and noted no deficiencies. He reported that Scohil had submitted Pay Estimate No. 1 and FINAL in the amount of \$34,676 in connection with the Extension. He then presented the Certificate of Acceptance for the Extension project for approval by the Board.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) approve payment of Pay Estimate No. 1 and FINAL; and (2) authorize Director Williams to

execute the Certificate of Acceptance. Copies of the aforementioned documents as approved by the Board are attached hereto as exhibits to these minutes.

3. **NHCRWA Coordination.** Mr. Unterreiner reported that the District is expected to begin receiving surface water from the NHCRWA in late March or early April 2010.

4. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** Mr. Unterreiner reported J&C would work with the District's Operator to follow up with the property owners who were identified as having plumbing deficiencies, as well as follow up on the public sector items that were identified in the smoke testing report.

5. **Surplus Funds.** Mr. Unterreiner said that J&C is working with the District's Attorney and Bookkeeper to finalize the expedited Surplus Funds Application for submission to the Commission.

6. **NHCRWA/Chloramine Conversion.** Mr. Unterreiner reported on the status of the chloramine conversion at Water Plants Nos. 1 and 2 by Long & Son, Inc. ("Long"). All work is complete with the exception of the installation of the Chem-Scan unit and the start-up testing, he told the Board. Mr. Unterreiner noted that the installation of the Chem-Scan unit is scheduled for the week of 8 March 2010. Start-up testing will be scheduled when the Chem-Scan unit is installed, he told the Board. Mr. Unterreiner noted that the conversion to chloramines (the "Conversion") cannot occur until the District receives permission from the NHCRWA. A discussion ensued regarding the Conversion. Mr. Ammel stated that the District's Operator would include an additional copy of the notice regarding the Conversion (the "Conversion Notice") with the bills for utility service that are distributed to the District's customers. The Board directed the District's Attorney to have a copy of the Conversion Notice posted on the District's internet web site.

7. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner reported that this project (performed by Scohil) is complete and the District's Operating Fund was reimbursed with self-authorized surplus construction funds.

8. **Emergency Preparedness Plan (the "Preparedness Plan").** Mr. Unterreiner reported that the District's Engineer would submit the Preparedness Plan to the Commission on 26 February 2010.

9. **Auxiliary Generators.** Mr. Unterreiner discussed with the Board matters relating to: (1) the installation of a diesel auxiliary generator at Water Plant No. 2; (2) the installation of a natural gas auxiliary generator at the Champions Woods Lift station; and (3) the installation of the Quick Connect at the CVS Lift Station. He informed the Board that J&C is investigating the option of using a standby lift pump at the CVS Lift Station instead of an auxiliary generator. Mr. Unterreiner explained that the standby lift pump is an engine-driven pump that would be located on the surface and would have its own set of controls. He added that he would provide a recommendation regarding the standby lift pump at a future meeting of the Board.

10. **Flagship and District & Urban Reimbursement.** Mr. Unterreiner reported that J&C reviewed the reimbursement request submitted by District & Urban (Texas), Inc. ("District & Urban") and forwarded the request with a cost summary to the District's Attorney. Mr. Yale stated that the District's Attorney had forwarded the reimbursement documentation to David L. Merritt, P.C., the District's Auditor, for review and preparation of a Report on Agreed Upon Procedures (the "Report"). Mr. Yale then submitted to and reviewed with the Board the draft

Report prepared by the Auditor in connection with the proposed reimbursement to District & Urban of eligible costs (the "Development Costs") for development of the Flagship Tract. A copy of the draft Report is attached hereto as an exhibit to these minutes. Mr. Yale noted that according to the draft Report, District & Urban is eligible to receive reimbursement from the District in the amount of \$67,951.54 in connection with the construction of the 12-inch water line and 12-inch sanitary sewer line to serve the Cypress Colonnades Apartments (the "Utilities"). Ms. Oliver remarked that before the District can reimburse District & Urban for the Development Costs, (1) the Commission must approve the District's purchase of the Utilities; and (2) the Utilities must be conveyed to the District. Mr. Unterreiner noted that J&C had forwarded to the Commission on 16 February 2010 a request for the pre-purchase inspection of the Utilities.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the Report and authorize payment to District & Urban in the amount of \$67,951.54, contingent upon (1) the District receiving the Commission's approval for the purchase of the Utilities; and (2) conveyance of the Utilities to the District.

11. **Detention Ponds/Champion Woods Estates and The Falls.** Mr. Unterreiner recalled that at the 28 January 2010 meeting, the Board accepted a proposal from Champions Hydro-Lawn ("Champions") to perform annual maintenance on the Champion Woods Estates Detention Pond (consisting of overseeding and fertilization, maintenance of the concrete pilot channel, and SWQ maintenance and permitting, herein collectively the "Maintenance") at a cost of \$10,843. Ms. Oliver informed the Board that Champions had submitted a proposed Service Contract for the Maintenance. She stated that the Service Contract is similar to agreements between Champions and other water District clients of Coats Rose. Ms. Oliver stated that she is working with Champions to finalize the Service Agreement.

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

12. **Water Conservation Plan.** Mr. Unterreiner remarked that the NHCRWA's rate order requires all Districts converting to surface water to adopt a Water Conservation Plan by 1 April 2010 or by the date they receive surface water, whichever is later. Mr. Unterreiner stated that J&C is updating the District's existing Water Conservation Plan to meet the NHCRWA's requirements.

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

RESOLUTION AMENDING LIST OF QUALIFIED BROKERS

The Board then considered adopting a RESOLUTION AMENDING LIST OF QUALIFIED BROKERS. Mr. Green presented the Directors with a revised List of Qualified Brokers as prepared by Claudia Redden of Claudia Redden & Associates, Inc., the District's Bookkeeper, to be attached as Exhibit "A" to the Resolution. He noted that the revised List of Qualified Brokers includes Icon Bank, Texas Community Bank, Texas Enterprise Bank, and Third Coast Bank.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to adopt the Resolution as presented. A copy of the Resolution is attached hereto and shall be considered a part of these minutes.

FISCAL YEAR

Consideration was then given to changing the end of the District's fiscal year (the "Fiscal Year") from the current annual date of 31 August.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) change the end of the Fiscal Year from 31 August to 31 March; and (2) extend the current fiscal year from 31 August 2010 to 31 March 2011.

ATTORNEY'S REPORT

The President recognized Mr. Yale, who presented the Attorney's Report. He submitted to and reviewed with the Board a memorandum from the District's Attorney regarding the status of certain ongoing matters for the District. A copy of the memorandum is attached hereto as an exhibit to these minutes.

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

MINUTES OF THE MEETING OF 28 JANUARY 2010

Proposed minutes of the meeting of the Board held on 28 January 2010, 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 28 January 2010, as written.

CERTIFIED AGENDAS OF EXECUTIVE SESSIONS

Mr. Yale reported that there were several certified agendas of executive sessions of the Board that would need to be reviewed and approved by the Directors. He suggested that the Directors schedule a special meeting of the Board to review the certified agendas.

SCHEDULE SPECIAL MEETING OF THE BOARD

Consideration was then given to scheduling a special meeting of the Board to review the certified agendas. After discussion, the Directors agreed to meet at 10:00 a.m. on Friday, 5 March 2010.

STUEBNER AIRLINE UTILITIES

Mr. Yale reported that the District's Attorney is working to acquire the final utility easements along Cypresswood Drive (the "Easements") in order for the District to provide service to the tracts on Stuebner Airline. Attached hereto as an exhibit is a copy of a table prepared by the District's Attorney regarding the status of the acquisition of the Easements.

MAINTENANCE OF DETENTION POND / CHAMPION WOODS ESTATES

The Board discussed matters relating to the maintenance of the detention pond serving Champion Woods Estates (the "Detention Pond"). Mr. Unterreiner submitted for execution a letter from the District to the Storm Water Quality Manager of the Harris County Public Infrastructure Department, stating that the District agrees to accept responsibility for the Storm Water Quality Management Plan and permanent SWQ features for the Detention Pond serving Champion Woods Estates. Director Williams then executed the letter on behalf of the District. A copy of the letter is attached hereto and shall be considered to be part of these minutes.

ORDER CALLING DIRECTORS ELECTION

Mr. Green distributed a draft ORDER CALLING DIRECTORS ELECTION FOR A MUNICIPAL UTILITY DISTRICT. Ms. Oliver explained that the Board was required to adopt the Order prior to 8 March 2010 pursuant to the requirements of the Texas Election Code. She reminded the Board of the requirement for having electronic voting equipment available to ensure that all persons, regardless of physical limitations, can vote without assistance. Ms. Oliver noted that the District could contract with Harris County (the "County") or Hart Intercivic for lease of the equipment in the event that the District must conduct an election. She told the Board that the deadline for submission of an application for a position on the ballot was 5:00 p.m. on 8 March 2010 and that the deadline for filing as a write-in candidate was 5:00 p.m. on 15 March 2010. If there are no contested positions after 15 March 2010, then the Board can cancel the Directors Election, Ms. Oliver continued. She added that the Order Calling Directors Election would have to be completed if the District was required to hold the election. Ms. Oliver also pointed out that the District would have to submit a change affecting voting to the United States Department of Justice (the "Justice Department") in the event the Directors Election is required, because of possible changes in the location and hours of early voting and the location of election day voting. Attached hereto as an exhibit is a memorandum from Coats, Rose, Yale, Ryman & Lee, P.C. regarding the requirements for election officials and electronic voting equipment.

After review, upon a motion duly made and seconded, the Board voted unanimously to: (1) adopt the Order Calling Directors Election, subject to completion if the election is required; (2) approve any necessary agreements with the County for the lease of electronic voting equipment and to authorize Director Williams to execute same; and (3) authorize Coats, Rose, Yale, Ryman & Lee, P.C. to send a submission letter to the U. S. Justice Department if the election was required. A copy of the Order Calling Directors Election thus adopted is attached to these minutes as an exhibit.

The Directors then considered the need to appoint individuals to serve as officials for the Directors Election. Mr. Green requested that the Directors provide him with the names of individuals who would be willing to serve as the presiding judge and the early voting clerk. A discussion ensued regarding the rate to be paid to the presiding judge and the early voting clerk. Mr. Yale pointed out to the Board that the individuals who serve as election officials must be paid at an hourly rate at least equal to the federal minimum wage of \$7.25 per hour. The Board then voted unanimously, upon a motion duly made and seconded, to: (1) pay the presiding judge a fee of \$15.00 per hour; and (2) pay the early voting clerk a fee of \$15.00 per hour.

Mr. Yale remarked that the Board would also need to select a date during the period of 16 May to 19 May 2010 to canvass the ballots and declare the results of the election. After

discussion, the Directors agreed to convene a special meeting of the Board at 5:00 p.m. on Tuesday, 18 May 2010 at the District Office to canvass the ballots.

REPORT ON OPERATION OF DISTRICT OFFICE

The President recognized Mr. Schuett, who presented 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 reviewed with the Board the Bookkeeper's Report on behalf of Claudia Redden & Associates, Inc. A copy of the Bookkeeper's Report is attached hereto as an exhibit to these minutes. The Directors also reviewed certain invoices for payment by the Board, as well as the Investment Report. Director Allard expressed her view that the District should back-charge AT&T for charges incurred by the District in connection with the AT&T manhole investigation.

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.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Ehmann presented a report on the activities of the KMF.

THE FALLS ASSOCIATION

There was no report on The Falls Association.

COMMUNITY ASSOCIATION FOR CHAMPION WOODS ESTATES ("CHAMPION WOODS ASSOCIATION")

There was no report on the Champion Woods Association.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Williams reported on the activities of the KJPB.

NHCRWA

Mr. Green distributed copies of a memorandum from the District's Attorney regarding the 1 February 2010 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 25th day of March, 2010.

Robert Ehmman
Secretary, Board of Directors

