

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

December 17, 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, December 17, 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, thus constituting a quorum.

Also present was: Deputy Constable Buddy Gheen, Jr., with the Harris County Precinct 4 Constable's Office; Roger Schuett, Office Manager, Sara Ahlschlager of Barbara Wheeler & Associates ("Wheeler"), Tax Assessor/Collector for the District; Jon Unterreiner, P.E., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Mike Ammel 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 Salinas Parker of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats|Rose"), Attorney for the District; and Bernie Bryl, member of the public.

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

DEVELOPMENT REPORT

The President recognized Mr. Lightfoot, who reported on 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 for the Falls and Champion Woods as prepared by Lightfoot is attached hereto.

PEACE OFFICER'S REPORT

Copies of the Peace Officer's Report as prepared by the Harris County Precinct 4 Constable's Office were distributed to the Board. The Board recognized Constable Gheen, who reported on activities in the District. A copy of the Peace Officer's Report is attached hereto.

HEAR FROM THE PUBLIC

The Board noted there were no members of the public present who wished to address the Board.

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 99.03% 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 NOVEMBER 30, 2009

Proposed minutes of the meeting of the Board held on November 30, 2009, previously distributed to the Board, were presented for consideration and approval. Director Ehmann noted that there was no report on the Kleinwood Maintenance Fund ("KMF") as the KMF did not meet in November 2009. Ms. Parker stated the minutes would be revised accordingly.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of November 30, 2009, as amended.

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 J&C. 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 November 30, 2009, and had forwarded the proposed Agreements to the Associations. Ms. Parker reported that the Champion Woods Association has approved, signed and delivered to the District their Detention Pond Agreement. Mr. Lightfoot noted that the Champion Woods Association and Developer have proceeded with winter rye over-seeding of the Champion Woods Detention Pond.

Ms. Parker stated that the Falls Association sent a letter stating that due to conflicts, they would not be able to provide a response to the District until December 30, 2009.

Ms. Parker reported that she is finalizing a draft of the Agreement between the District and the KMF regarding the Walking Garden/Detention Pond.

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 J&C has approved the revised plans for this project.
3. **Midas International Corporation ("Midas")**. Nothing new to report.

4. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Owner and contractors are working on a construction contract for the sanitary sewer line.

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

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 prior to submitting them to Harris County for final approval, and is working with Coats|Rose to acquire the final easements along Cypresswood Drive. J&C 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 reminded the Board that the District awarded the contract for construction of the water line extension across the Bubbles Car Wash site (the "Water Line Extension") to Scohil Construction Services, L.L.C. ("Scohil") in the amount of \$32,765. A notice to proceed will be issued after the holidays.

3. **North Harris County Regional Water Authority ("NHCRWA") Coordination**. Mr. Unterreiner reported that J&C spoke with a representative of AECOM USA Group, Inc. ("AECOM"), the NHCRWA's program manager, about the timeline for converting to chloramines. AECOM's representative stated that the District will not receive surface water until March 2010 at the earliest and that the District cannot convert to chloramine disinfection until that time. The District will most likely be one of the last Districts in the area to convert because the District is supplying water through the Ground Water Transfer program and cannot convert until all the water districts receiving District water through the Ground Water Transfer program have converted to surface water.

4. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines**. Mr. Unterreiner reported that J&C 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 said that J&C is moving forward with finalizing the expedited Surplus Funds Application now that J&C has received approvals for the Water Line Extension. The amount of the application has decreased from \$719,176 to \$691,632 since J&C was able to use the actual contract amount plus 5% contingencies for the Water Line Extension and the 70% reimbursement amount for the Flagship Properties sanitary sewer line extension.

6. **NHCRWA/Chloramine Conversion**. Mr. Unterreiner noted that Long & Son, Inc. ("Long") did not request a payment this month. All work is complete with the exception of the installation of the Chem-Scan unit and the start-up testing. J&C sent a letter to Long notifying them that they have exceeded the scheduled completion date. The letter requested an updated schedule and an anticipated completion date as well as an explanation as to why the contractor is behind schedule. J&C understands the contractor received the Chem-Scan unit, Mr. Unterreiner reported. Long was given notice to proceed on April 13, 2009 with 180 calendar

days to complete the work resulting in a scheduled completion date of October 20, 2009. Conversion to chloramines cannot occur until the District receives permission from the NHCRWA as discussed item no. 3.

7. **Water Plant No. 1 Storm Sewer Repairs.** Mr. Unterreiner said that the construction is complete and J&C held a final inspection. He recommended approval of Change Order No. 1 in the amount of \$1,250. The change order includes re-locating existing underground utilities encountered during construction. Mr. Unterreiner also recommended payment of Pay Estimate No. 2 and Final in the amount of \$2,601.25 to Scohil Construction Services, LLC ("Scohil"). He also presented the Certificate of Acceptance. This project is eligible to be reimbursed with self-authorized surplus funds. Mr. Unterreiner stated that J&C will work with the District's Attorney to have surplus funds released at a future meeting.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve Change Order No. 1, Pay Estimate No. 2 and Final, and the Certificate of Acceptance for the contract with Scohil. Copies of the aforementioned documents are attached hereto.

8. **Emergency Preparedness Plan (the "EPP").** Mr. Unterreiner reported that the Texas Commission on Environmental Quality ("TCEQ") released the EPP requirements on December 1, 2009. J&C will proceed with preparation of the EPP when the TCEQ releases the EPP requirements.

9. **Auxiliary Generators.** Mr. Unterreiner reported that J&C 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 J&C 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.** Nothing new to report, Mr. Unterreiner noted.

12. **Water Conservation Plan.** The NHCRWA's rate order requires all Districts converting to surface water to adopt a Water Conservation Plan by April 1, 2010. Mr. Unterreiner requested the Board's authorization to prepare the Water Conservation Plan.

Upon motion duly made and seconded, the Board voted unanimously to authorize J&C to prepare the Water Conservation Plan.

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 96.6% and that the District has a total connection count of 801.

2. **Utility Operator's Report.** See the attached operator's report including the utility billing summary, accountability report, subsidence district report, NHCRWA fee report and the 30-day delinquent list.

A. **Substantial System Repairs.**

16510 Courtland Circle	11/05/09 Service line leak	\$1,411.25
7726 Heathrow	11/12/09 Service line leak	\$1,444.66
7803 Frairs Ct.	11/04/09 Service line leak	\$1,067.50
7806 Friars Ct.	11/18/09 Service line leak	\$ 924.65
7635 Louetta	Replace fire hydrant damaged by Vehicle	\$ 4,053.05

B. **Water leak on Stuebner-Airline.** An AT&T manhole on Stuebner-Airline just north of Louetta has been leaking potable water out for some time, Mr. Ammel noted. EDP has taken several measures to try to determine the source of the water including excavation, listening equipment and pumping down the phone conduit system. EDP has not yet determined where the leak is coming from and is continuing its investigation.

C. **Water Accountability.** Mr. Ammel said that EDP replaced four of the 2-inch meters that were registering slow from the most recent meter test report. Accurate Meter is working on repairs to the remaining three meters.

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.

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 Fowler discussed with the Board investing certain funds of the District in certificates of deposit, and requested this item be placed on the agenda for the Board's meeting on January 28, 2010.

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.

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.

KLEINWOOD MAINTENANCE FUND ("KMF")

Director Ehmann reported on the activities of the KMF.

THE FALLS ASSOCIATION

There was no report on The Falls Association.

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. 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. The KJPB operator has indicated that the price for an emergency generator may be substantially less than originally estimated.

NHCRWA

Ms. Parker distributed copies of a memorandum from Coats|Rose regarding the December 8, 2009, meeting of the NHCRWA board of directors. A copy of the memo is attached hereto.

NEWSLETTER

Consideration was then given to authorizing the mailing of the District's newsletter (the "Newsletter") in December 2009 by first class mail.

Upon motion duly made and seconded, the Board voted unanimously to approve the mailing of the Newsletter by first class mail.

Director Fowler indicated that the Newsletter contained generic information applicable to most water districts. He further stated that he thought the Newsletter would contain more information, specific to the District. The Board concurred and asked Director Allard, the Board's Newsletter liaison, to confer with Barbara Payne of Payne Communications regarding this matter.

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

Approved this 28 January 2010

Robert Edmann
Secretary, Board of Directors

