

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

25 March 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 March 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: Claudia Redden of Claudia Redden & Associates, Inc., the District's Bookkeeper; 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; Roger Schuett, Office Manager for the District; Floyd Mechler and Marshall Schoth of AquaSurance, LLC ("AquaSurance"); John Lightfoot with John Lightfoot Investments, L.P. ("Lightfoot"), developer of Land in the District; Deputy Constable Buddy Gheen, Jr., with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Philip Halbert of Champions Hydro-Lawn, Inc. ("Champions"); Tom Dowdy of Remax; Hal Martin, Joe Craigen, and Blair Kormdorffer, representing G2169 Properties, LLC; James Woods and Jim Ray, representing The Falls at Champion 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 Beryl, 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

The President recognized Deputy Gheen, who presented the Peace Officer's Report, a copy of which is attached hereto. A discussion ensued regarding security-related issues. Deputy Gheen requested that the District provide keys for the District Office building to Lieutenant Larry Finley and the contract officers assigned to the District (the "Deputies") in order to allow emergency access to the facility.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to provide three sets of keys for the District Office to Lieutenant Finley and the Deputies.

CONDITION REPORT / CHAMPION WOODS ESTATES DETENTION POND

The President recognized Mr. Halbert, who submitted to and reviewed with the Board the Detention Facilities Condition Report (the "Condition Report") prepared by Champions regarding the status of the detention pond serving the Champion Woods Estates Subdivision (the "Champion Woods Detention Pond"). A copy of the Condition Report is attached hereto as an exhibit to these minutes. Ms. Oliver reported that Champions had revised the Service Contract between the District and Champions for the maintenance of the Champion Woods Detention Pond, pursuant to the comments from the District's Attorney. A copy of the fully executed Service Contract is attached hereto as an exhibit to these minutes.

PROPOSAL FOR INSURANCE COVERAGE

The President recognized Mr. Mechler, who submitted to and reviewed with the Board the Proposal for Insurance Coverage (the "Proposal") prepared by AquaSurance for the policy period of 30 April 2010 through 30 April 2011.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Proposal. A copy of the accepted Proposal is attached hereto as an exhibit to these minutes.

REQUEST FOR UTILITY COMMITMENT / G2169 PROPERTIES, LLC.

Next, the Board considered the request from G2169 Properties, LLC. ("G2169") for a utility commitment in connection with the proposed development by G2169 of the 2.25-acre tract of land (the "G2169 Tract") located northeast of the intersection of Mintwood Lane and Chagall Lane in the Champion Woods Estates Subdivision (called "Champion Woods Estates"). It was noted by the Board that the proposed development of the G2169 Tract would proceed in two phases, with Phase 1 to consist of an 8,800-square-foot, one-story office building, and with Phase 2 to consist of a 16,200-square-foot, two-story office building (collectively, the "Buildings"). Mr. Korndorffer reviewed with the Board the site plan, floor plan, and elevations (collectively, the "Plans") for the Buildings, copies of which are attached hereto as exhibits to these minutes. The Directors noted that G2169 is requesting water supply capacity in an amount not to exceed 4,150 gallons per day ("gpd") and wastewater treatment capacity in an amount not to exceed 2,850 gpd. Mr. Unterreiner confirmed that the District has sufficient water supply capacity and wastewater treatment capacity to meet said request. Ms. Oliver then submitted for the Board's review and approval a Utility Commitment Agreement between the District and G2169 for the G2169 Tract. She explained that under the Utility Commitment Agreement, the District would reserve wastewater treatment capacity in an amount not to exceed 2,850 gpd and water capacity in an amount not to exceed 4,150 gpd in the District's presently existing water supply and sanitary sewer systems until 25 March 2011 to serve the G2169 Tract. Ms. Oliver noted that G2169 had paid the application fee of \$2,500 to the District.

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

MAINTENANCE OF DETENTION PONDS / THE FALLS AT CHAMPION FOREST & CHAMPION FALLS ESTATES

The Board discussed matters relating to the maintenance of the detention ponds (the "Detention Ponds") serving The Falls at Champion Forest and Champion Falls Estates (herein collectively the "Falls"). Mr. Woods addressed the Board regarding the proposed Detention Pond Agreement (the "Agreement") that was forwarded by the District to the Falls Association. He requested that the Board schedule a workshop session with representatives of the Falls Association to discuss issues regarding the Agreement and the proposed maintenance of the Detention Ponds. A discussion ensued regarding the Detention Ponds. Mr. Yale proposed that prior to the Board scheduling the workshop session, the Falls Association should provide the District with a letter (the "Letter") stating its concerns regarding certain provisions of the Agreement and the proposed conveyance of the Detention Ponds to the District. The Board concurred.

SCHEDULE SPECIAL MEETING OF THE BOARD

Consideration was then given to scheduling a special meeting of the Board to discuss matters relating to the Detention Ponds with representatives of the Falls Association. After discussion, the Directors agreed to meet at 8:30 a.m. on Thursday, 1 April 2010, contingent upon the Falls Association forwarding the Letter to the District's Attorney prior to that date.

DEVELOPMENT REPORT

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

MINUTES OF THE MEETING OF 28 JANUARY 2010

Proposed minutes of the meeting of the Board held on 25 February 2010, previously distributed to the Board, were presented for consideration and approval. Mr. Green directed the Board's attention to revisions made to pages 8 and 11 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 25 February 2010, as amended.

MINUTES OF THE MEETING OF 5 MARCH 2010

Proposed minutes of the meeting of the Board held on 5 March 2010, previously distributed to the Board, were presented for consideration and approval. Director Ehmann requested a revision to page 2 of the minutes.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to approve the minutes of the meeting of 5 March 2010, as amended.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Allard distributed copies of the Tax Assessor/Collector's Report for February 2010 on behalf of Sara Ahlschlager of Wheeler & Associates, Inc. ("Wheeler"), the District's Tax Assessor/Collector.

A copy of the Tax Assessor/Collector's Report is attached hereto. It was noted that the District had collected 94.36% of its 2009 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. The Board noted that Wheeler was requesting approval for 12 checks written on the District's tax account, and two transfers by wire as follows: \$42,425.79 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$300,000 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.

DELINQUENT TAX REPORT

Mr. Green then submitted for the Board's review 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.

DEVELOPMENT REPORTS/REQUESTS FOR SERVICE

The President recognized Mr. Unterreiner, who reported on the status of various developments in the District as follows:

1. **Zaxby's Chicken Dinner Restaurant ("Zaxby's")**. Mr. Unterreiner reported that the contractor for Chicken Dinner Properties, LLC, had completed the relocation of the sanitary sewer line. J&C inspected the work during construction and is scheduling the final inspection with the Texas Commission on Environmental Quality (the "Commission"), he added. J&C is also verifying whether the detention pond was properly relocated so that it would not encroach onto a District utility easement, he told the Board.

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

3. **G2169 Tract**. Mr. Unterreiner reported that J&C had reviewed the request from G2169 for a utility commitment for an office building development on the northeast corner of Mintwood and Chagali Lane. The request was deemed to be reasonable, he told the Board, based on the proposed use and size of the G2169 Tract.

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 noted that the water line extension across the Bubbles Car Wash site as constructed by Scohil Construction Services, L.L.C., is complete and was accepted at the Board's meeting on 25 February 2010.

3. **Chloramine Conversion at Water Plants.** Mr. Unterreiner reported on the status of the chloramine conversion at Water Plants Nos. 1 and 2 (the "Conversion Project") by Long & Son, Inc. ("Long"). All work is complete with the exception of the installation of the start-up testing, he told the Board, as well as the fine tuning of the equipment that may be necessary after the District begins to receive surface water. Mr. Unterreiner reported that Long had submitted Pay Estimate No. 4 in the amount of \$39,397.50 in connection with the Conversion Project. A copy of Pay Estimate No. 4 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. 4.

4. **North Harris County Regional Water Authority ("NHCRWA") Coordination.** Mr. Unterreiner reported that the NHCRWA expects that the District's involvement in the Groundwater Transfer Program will cease in approximately 14 to 21 days. The NHCRWA will notify the District of an exact date in the near future, he continued, at which time the District's Engineer and Operator will make the final arrangements for (1) the conversion to surface water; and (2) the conversion from chlorine to chloramine disinfection at the District's Water Plants Nos. 1 and 2.

5. **Smoke Testing and Televised Inspection of Sanitary Sewer Lines.** Mr. Unterreiner reported that 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.

6. **Surplus Funds.** Mr. Unterreiner said that J&C would submit the Surplus Funds Application report to the District's Attorney for review, prior to submitting the expedited Surplus Funds Application to the Commission.

7. **Emergency Preparedness Plan (the "Preparedness Plan").** Mr. Unterreiner reported that the District's Engineer had submitted the Preparedness Plan to the Commission prior to the 1 March 2010 deadline date and had received confirmation of receipt from the Commission.

8. **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 Champion Woods Estates 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 added that J&C is also investigating the possibility of selling power to the electrical grid from the proposed auxiliary generator to be installed at Water Plant No. 2.

9. **Flagship and District & Urban Reimbursement.** Mr. Unterreiner reported that J&C and the District's Operator had conducted an inspection earlier this date of the 12-inch water line and 12-inch sanitary sewer line to serve the Cypress Colonnades Apartments (the "Utilities"), in order to ensure that the Utilities are in good condition prior to the Commission's pre-purchase inspection.

10. **Detention Ponds/Champion Woods Estates and The Falls.** Mr. Unterreiner recalled that Champions Hydro-Lawn, Inc. had completed the clean-up and repair work at the Champion Woods Detention Pond. Champions discovered during the course of repairing the sinkhole (the "Sinkhole Repairs") that the sinkhole is undermining 70% to 80% of the slope paving foundation, he told the Board, and accordingly Champions is proposing that holes be drilled in the concrete slab and that grout be injected through the concrete slab to fill the voids. Mr. Unterreiner stated that Champions is requesting an additional \$2,500 for the Sinkhole Repairs, which would bring the total for the Sinkhole Repairs to \$6,750. He submitted for the Board's review and approval a proposal from Champions (the "Champions Proposal") for the additional work on the Sinkholes as described above.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to accept the Champions Proposal and to authorize the District's Engineer to notify Champions to proceed with the additional work on the Sinkhole Repairs. A copy of the Champions Proposal as approved by the Board is attached hereto as an exhibit to these minutes.

A discussion then ensued regarding the proposed establishment of a policy to authorize certain actions to be taken by the District's consultants outside of Board meetings (the "Policy"). Ms. Oliver stated that she would prepare a draft Policy for consideration at a future meeting of the Board.

11. **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. Mr. Unterreiner stated that J&C is updating the District's existing Water Conservation Plan to meet the NHCRWA's requirements, and will bring the revised Water Conservation Plan to the Board's meeting on 22 April 2010 for adoption.

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

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.

DIRECTORS ELECTION

The Board discussed matters relating to the 8 May 2010 Directors election in the District. Ms. Oliver submitted for the Board's review an ORDER DECLARING UNOPPOSED CANDIDATE ELECTED TO OFFICE FOR POSITION NO. 5. It was noted that according to the

Texas Election Code, the District has the authority to declare unopposed candidates to be elected to office since Coats, Rose, Yale, Ryman & Lee, P.C., the District's Attorney, has certified in writing that the candidate to be listed on the ballot for the referenced election for Director Position No. 5 is unopposed. A copy of the Certificate Regarding Unopposed Candidate executed by the District's Attorney is attached hereto as an exhibit. Upon a motion duly made and seconded, the Board voted unanimously to adopt the Order, a copy of which is attached hereto and shall be considered to be a part of these minutes.

The Directors then discussed the Notice of Election being prepared by the District's Attorney in connection with the Directors election. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to have the Notice of Election posted on the District's web site in addition to being posted in the District.

Next, the Directors discussed matters relating to the use of the District Office as the location of early voting for the Directors election during the period of 26 April through 4 May 2010 (excluding weekends), and as the location of election day voting on 8 May 2010. The Board directed Ms. Oliver to transmit a letter to Chaparral Management Company, Inc. ("Chaparral"), requesting that Chaparral notify the Kleinwood Maintenance Fund ("KMF") and other organizations and individuals that the District Office would not be available for activities on election day or during the early voting period. The Board then directed Mr. Schuett to inform the Kleinwood Swim Team (the "Swim Team") that while the pool would be available for use on election day and during the early voting period, the Swim Team would not be allowed to use the District Office during that time frame. Attached hereto as an exhibit to these minutes is a copy of a letter dated 2 April 2010 to Chaparral from the District's Attorney.

CERTIFIED AGENDAS OF EXECUTIVE SESSIONS

Mr. Yale reported that he is reviewing the certified agendas of executive sessions of the Board that were not approved at the Board's special meeting on 5 March 2010.

STUEBNER AIRLINE UTILITIES

Ms. Oliver 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.

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 93.4% and that the District has 804 service connections, including 9 vacant single-family residences.

2. **Utility Operator's Report.** Mr. Ammel reviewed with the Board the utility billing summary, accountability report, subsidence district report, NHCRWA fee report and the 30-day delinquent list, as shown in the Operator's Report attached hereto.

A. Substantial System Repairs.

16418 Fox Crossing	Service line leak (2/23/10)	\$ 779.92
7810 Cypresswood	Repair 3-inch meter serving Church (3/18/10)	\$ 1,179.25
7635 Louetta	Yard and sidewalk repair (2/17/10)	\$ 1,017.75

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 a pressure test conducted by EDP on 5 March 2010 of the District's water line on Stuebner Airline south of Mintwood confirmed that said water line did not have a leak. Mr. Ammel stated that the pressure test was the final action by EDP to determine the source of the water that was leaking from the AT&T manhole. He noted that the AT&T manhole has ceased overflowing, and that the water emanating from the AT&T manhole was likely storm water.

C. Fire Hydrant at Stuebner Airline and Louetta. Mr. Ammel reported that the District's Operator is planning the replacement of the valve and relocation of the fire hydrant (the "Relocation") in front of the Exxon Station at the northwest corner of Stuebner Airline and Louetta Road. EDP is considering (1) performing the Relocation at night; or (2) supplying water on a temporary basis to certain commercial customers who would be without water during the course of the Relocation.

D. Conversion to Chloramine Disinfection. Mr. Ammel reported that EDP personnel met with representatives of Long & Son, Inc. and the District's Engineer on 13 March 2010 for training on the equipment associated with the Conversion Project. EDP is beginning plans to convert to chloramine disinfection in May 2010, he told the Board. Mr. Ammel explained that the plans for the chloramine conversion will include a pilot testing of the chloramine disinfection system at Water Plant No. 1, using the capacity of one of the ground storage tanks for the test.

E. Notice of Chloramine Conversion. Mr. Ammel recalled that in December 2009 the District mailed an informational notice to the District's customers regarding the upcoming conversion to the chloramine disinfection method (the "Conversion Notice"). At that time, he continued, the Board agreed that an additional Conversion Notice would be distributed to the District's customers shortly before the conversion to chloramines takes place. Mr. Ammel stated that the District's Operator would include the Conversion Notice in the bills that will be mailed to the District's customers during the first week of April 2010. A copy of the Conversion Notice is included in the Operator's Report.

F. NHCRWA / Aggregated Water Well Permit. Mr. Ammel reported that the District's Operator would submit information regarding the District's water wells as needed to the NHCRWA in connection with the Aggregated Harris-Galveston Subsidence District Water Well Permit issued to the NHCRWA (the "Aggregated Permit"). Attached hereto as an exhibit to these minutes is a copy of a letter dated 22 March 2010 from the NHCRWA regarding the Aggregated Permit.

G. Texas Water Development Board / Annual Water Use Survey – 2009. Mr. Ammel reported that EDP would complete and submit the Annual Water Use Survey – 2009 for the District to the Texas Water Development Board.

TERMINATION OF SERVICE

Consideration was then given to the termination of water and sewer service to certain delinquent 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.

REQUEST FOR ADJUSTMENT TO SERVICE ACCOUNT

Mr. Ammel reported that the District's Operator had received a letter from the customer at 16414 Krayola, who is requesting an adjustment to his utility service account because of excessive water use earlier this year that resulted from a water leak in his irrigation system.

The Board declined to take any action in connection with the request for the adjustment, and instructed Mr. Ammel to inform the customer that the utility service account bill could be paid in installments.

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

Ms. Redden distributed to the Board copies of the Bookkeeper's Report, a copy of 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.

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.

UTILITY CONVEYANCE AGREEMENT / DISTRICT & URBAN (TEXAS) INC.

Next, Ms. Oliver submitted for the Board's review and approval a draft Utility Conveyance Agreement between the District and District & Urban (Texas), Inc. ("District & Urban"). She noted that the District's Attorney is researching the date of the contracts between District & Urban and Canyon Construction Company, Inc., for (1) construction of the Utilities; and (2) clearing of the 1.4-acre tract.

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

