

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

28 July 2011

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 28 July 2011 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:

Robert Ehmann	President
Sherry Allard	Vice President
Joe Fratangelo	Secretary/Treasurer
Bernie Bryl	Assistant Vice President & Assistant Secretary
Mike Morgan	Assistant Secretary & Investment Officer

and all of said persons were present with the exception of Director Ehmann, thus constituting a quorum.

Also present were: Cindy Englebert of Barbara Wheeler & Associates, Inc. ("Wheeler"), Tax Assessor/Collector for the District; Bill Blitch with Blitch Associates, Inc. ("Blitch"), the District's Financial Advisor; David Merritt of David L. Merritt, P.C., the District's Auditor; Jonathan Unterreiner, P.E., and Mike Christopher, E.I.T., of Jones & Carter, Inc. ("J&C"), Engineer for the District; Andy Phelps of Environmental Development Partners, L.L.C. ("EDP"), Operator for the District; Roger Schuett, Office Manager for the District; Deputy Constable Buddy Gheen, Jr., with Harris County Precinct 4 Constable's Office (the "Constable's Office"); Larry Chamberlin and Jeff Gobel, representing the Kleinwood Maintenance Fund ("KMF") and the Kleinwood Dolphins swim team (the "Swim Team"); Dick Yale, Marcia Oliver, and David Green of Coats, Rose, Yale, Ryman & Lee, P.C. ("Coats Rose"), Attorney for the District; and Ray Cicconi, a resident of the District.

Director Allard called the meeting to order.

PEACE OFFICER'S REPORT

The Vice President recognized Deputy Gheen, who presented the Peace Officer's Report, a copy of which is attached hereto. Deputy Gheen reported that the management of the L.A. Fitness outlet in the District had informed him that they do not intend to obtain security cameras for the parking lot at the facility. Deputy Gheen then stated that there had been reports of brass fittings being removed from residential water meter boxes in the District.

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

TAX ASSESSOR/COLLECTOR'S REPORT

The Vice President recognized Ms. Englebert, 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 had collected 99.2% of its 2010 taxes. The Directors also reviewed and discussed the Delinquent Collections Listing, a copy of which is attached hereto. Ms. Englebert noted that Wheeler was requesting approval for nine checks written on the District's tax account, said checks including the transfer of \$4,911.50 in revenues from the tax for maintenance and operations to the District's Operating Fund and \$10,000 to the 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.

REQUEST FOR INSTALLMENT AGREEMENT

Next, Ms. Englebert informed the Board that Raymond J. Davis had requested an installment agreement for the payment of delinquent property taxes owed to the District. She reviewed with the Board a letter dated 28 June 2011 from Mr. Davis, a copy of which is attached hereto. Ms. Englebert noted that Mr. Davis had submitted a payment of \$812.87 and desires to pay the balance of the delinquent taxes in four equal monthly payments.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Delinquent Tax Attorney to offer an Installment Agreement to Mr. Davis as described above.

UNCOLLECTIBLE ACCOUNTS

Consideration was then given to moving certain delinquent tax accounts involving personal property (the "Accounts") to the Uncollectible Tax Roll. The Vice President recognized Ms. Englebert, who submitted to and reviewed with the Board a List of Uncollectible Accounts as prepared by the District's Tax Assessor/Collector. A copy of the List of Uncollectible Accounts is included with the Tax Assessor/Collector's Report.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Tax Assessor/Collector to move the Accounts to the List of Uncollectible Accounts.

DELINQUENT TAX REPORT

Ms. Englebert then submitted for the Board's review the Delinquent Tax Report as prepared by Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's Delinquent Tax Attorney. A copy of the Delinquent Tax Report is attached hereto.

MINUTES OF THE MEETINGS 23 JUNE 2011 AND 7 JULY 2011

The minutes of the meeting of the Board held on 23 June 2011, 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 23 June 2011, as written.

The minutes of the meeting of the Board held on 7 July 2011, 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 7 July 2011, as written.

PUBLIC COMMENTS

The Vice President recognized Mr. Chamberlin, who addressed the Board regarding the use by the KMF and the Swim Team of a certain storage cabinet in the District Office (the "Cabinet"). Mr. Chamberlin stated that the Swim Team desires to store utensils in the Cabinet for use at the swim meets conducted at the swimming pool.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize Mr. Schuett to reach an agreement with the Swim Team regarding the allocation of Cabinet space for its use.

Mr. Chamberlin then informed the Board of the KMF's desire to install a chilling unit (the "Chiller") to reduce the temperature of the swimming pool by up to 10 degrees during the summer months. In response to a question from the Board, Mr. Chamberlin stated that the Chiller would be installed on a 5-by-5-foot concrete pad near the swimming pool. Mr. Unterreiner stated his desire to review the plans for the Chiller. Mr. Chamberlin stated that he would forward copies of the Chiller plans to Mr. Unterreiner and Directors Morgan and Bryl.

PROPOSED SALE OF SERIES 2011 REFUNDING BONDS

The Vice President recognized Mr. Blich, who reported on matters relating to the proposed sale of the District's Series 2011 Refunding Bonds (the "Refunding Bonds"). He informed the Board that the Refunding Bonds had been assigned a rating of A2 by Moody's Investors Service on the basis of the District's underlying rating and that an insurance policy to be provided by Assured Guaranty Municipal Corp. would increase the rating on the Refunding Bonds to Aa3. Mr. Blich stated that the pricing of the Refunding Bonds would likely take place on 2 or 3 August 2011. Ms. Oliver then discussed with the Board the availability of Directors to execute certain documents pertaining to the sale of the Refunding Bonds. Directors Allard and Fratangelo confirmed that they would be available during the week of 1 August 2011 to execute the Refunding Bond documents.

TEXAS WATER DEVELOPMENT BOARD ("TWDB") FINAL PROJECT SOURCE AND USE OF FUNDS REPORT (SERIES 2001 BONDS)

Next, the Board discussed matters relating to the request from the TWDB for a final accounting regarding the use of proceeds from the District's Series 2001 Bonds. Mr. Blich reported to the Board that the District would not have to return the \$276,000 in surplus funds to the TWDB as a result of the Series 2001 final accounting. Instead, he continued, the District could refund all maturities of the Series 2001 Bonds and pay off the entire TWDB debt out of the refunding proceeds when the Series 2001 Bonds become callable on 1 February 2012. Attached hereto as an exhibit to these minutes is a copy of a chain of electronic correspondence between Mr. Blich, Ms. Oliver, and Piper Montemayor of the TWDB pertaining to this matter.

ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED MARCH 31, 2011

The Vice President recognized Mr. Merritt, who submitted to and reviewed with the Board the draft Annual Financial Report for the District (the "Report") for the fiscal year ended 31 March 2011 (the "Fiscal Year"). He reviewed with the Board (1) the District's combined fund balances as of the end of the Fiscal Year; (2) the District's total net assets; (3) the District's capital assets; (4) the amount of the District's bonded debt payable; and (5) the Statement of Net Assets and Governmental Funds Balance Sheet. Mr. Merritt brought to the Board's attention that the Fiscal Year was 19 months, commencing on 1 September 2009 and concluding on 31 March 2012, pursuant to the RESOLUTION AMENDING FISCAL YEAR as adopted by the Board on 25 March 2010. Subsequent Fiscal Years will run from 1 April to 31 March, he reminded the Board.

Mr. Merritt reviewed with the Board the draft Management Letter prepared in connection with the Report.

Next, Mr. Merritt reviewed with the Board the Notes to the Financial Statements. He remarked that revisions would be made to Note 15 – Groundwater Transfer Agreement, pertaining to the status of the termination in 2010 of the agreement to sell and deliver groundwater to the North Harris County Regional Water Authority (the "NHCRWA"); and to Note 17 – Litigation, pertaining to the status of the litigation between the District and JP/Raveneaux Partners, LP, and Kera Development, LP.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to: (1) approve the draft of the Annual Financial Report for the District for the fiscal year ended 31 March 2011 with changes as noted by the Board, subject to a seven-day review period for the District's consultants; (2) authorize Mr. Merritt to finalize the Annual Financial Report; (3) authorize Director Allard to execute the Affidavit of Filing of Annual Financial Report and the letter of representations to Mr. Merritt; and (4) authorize Coats, Rose, Yale, Ryman & Lee, P.C., to file the finalized Annual Financial Report with the Texas Commission on Environmental Quality (the "Commission") and other governmental and regulatory agencies as required. Copies of the draft Annual Financial Report are filed in the permanent records of the District. Attached hereto as an exhibit to these minutes is a letter dated 27 July 2011 from the District's Attorney in connection with the Annual Financial Report.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 54

Then Ms. Oliver distributed a memorandum from an Auditor Working Group consisting of McCall Gibson Swedlund Barfoot PLLC, McGrath & Co., PLLC, and David L. Merritt, PC. A copy of the memorandum is attached hereto as an exhibit to these minutes. Mr. Merritt noted that the Governmental Accounting Standards Board had recently issued Statement No. 54 ("GASB 54") regarding Fund Reporting and Governmental Fund Type Definitions. In accordance with GASB 54, he continued, the fund balances would be displayed with the following classifications: Nonspendable Fund Balance, Restricted Fund Balance, Committed Fund Balance, Assigned Fund Balance, and Unassigned Fund Balance. He added that GASB 54 required that the fund balances definitions were effective for annual financial reports for fiscal years ending on or after 15 June 2011.

DEVELOPMENT REPORTS/REQUESTS FOR SERVICE

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

1. **Klein Independent School District ("KISD")**. Mr. Christopher reported on matters relating to the Klein High School ("KHS") reconstruction project. He stated that the construction of the new water service line by the District's Operator is complete.
2. **Stuebner Airline Veterinary Clinic (the "Veterinary Clinic")**. Mr. Christopher reported that J&C had provided the District's Attorney with an updated legal description of the tract in which the proposed Veterinary Clinic facility will be constructed.
3. **Whataburger Restaurant**. Mr. Christopher reported that construction of the new Whataburger restaurant on Louetta Road is in progress.

ENGINEER'S REPORT

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

1. **Stuebner Airline Utilities**. The Directors discussed the status of the contract with AR Turnkey Construction Company, Inc. (called "AR Turnkey") for construction of the Stuebner Airline utilities. Mr. Unterreiner reported that the water line and sanitary sewer line are in service, and that the District's Engineer had conducted the final inspection on the Stuebner Airline utilities earlier this month. The punch list of items to be addressed was provided to AR Turnkey, he told the Board. Most of the punch list items relate to site restoration and the final adjustment of the sanitary sewer manholes, he continued, and the District is holding approximately \$33,000 in retainage to ensure completion of the punch list items.

Mr. Unterreiner reported that AR Turnkey had submitted Pay Estimate No. 3 in the amount of \$11,720 in connection with the Stuebner Airline utilities. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 3. A copy of Pay Estimate No. 3 is attached hereto as an exhibit to these minutes.

Mr. Unterreiner then informed the Board that Kee Bu Park, the owner of a martial arts studio (the "Studio") on Stuebner Airline Road, had claimed that the boring for the Stuebner Airline utilities had caused certain concrete panels of the parking lot (the "Parking Lot") at the Studio to become elevated. Mr. Park is requesting that AR Turnkey replace the entire Parking Lot, he continued, while AR Turnkey has suggested that certain concrete panels could be adjusted. Mr. Yale recommended that the Board authorize a Director to confer with Mr. Park and present an offer for the District to make repairs to the Parking Lot if Mr. Park would agree to execute a release and indemnity agreement with the District.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize Director Morgan to negotiate with Mr. Park as described above; and (2) authorize repairs to the Parking Lot at a cost not to exceed \$10,000, as deemed necessary.

2. **Directional Flushing Plan**. Mr. Unterreiner reported that the directional flushing plan is complete and that J&C would distribute copies of same to the District's Operator.

3. **Sanitary Sewer Cleaning and Televising (2011)**. Mr. Unterreiner reported on the status of the contract with Quality Pipe Services, Inc. (called "QPS") for the cleaning and video inspection of certain sections of the District's wastewater collection system (the "Inspection"). Mr. Unterreiner reported that QPS had distributed notices to the District's customers who might be affected and that work on the Inspection should commence this month.

4. **Auxiliary Generators**. Mr. Unterreiner discussed with the Board the status of the contract with C. F. McDonald Electric, Inc. (called "McDonald") for: (1) the installation of a diesel auxiliary generator at Water Plant No. 2; and (2) the installation of a natural gas auxiliary generator at the Champion Woods Estates Lift Station (collectively, the "Generators"). He reported that the Generator at Water Plant No. 2 is in service. McDonald had submitted a letter to J&C stating that the Generator at the Champion Woods Estates Lift Station (the "Lift Station Generator") had passed the load bank test up to the specified generator rating for this project, he told the Board. Mr. Unterreiner noted that McDonald had provided a 105 kilowatt ("kW") Generator that could only be loaded up to 90 kW. He stated to the Board that the District's Engineer is satisfied that the Lift Station Generator meets the specifications for running the Champion Woods Estates Lift Station during a power outage. The final inspection is scheduled for the following week, he added.

5. **Water Plant Improvements**. Mr. Unterreiner discussed with the Board the status of the Contract with Blastco Texas, Inc. ("Blastco") for improvements at Water Plant Nos. 1 and 2 (the "Water Plant Improvements"), consisting of: (1) recoating the interior and top-coating the exterior of the three hydropneumatic tanks (the "HPTs") at Water Plant No. 1; (2) recoating the interior of the 10,000-gallon HPT at Water Plant No. 2; and (3) recoating the booster pump discharge heads at Water Plant Nos. 1 and 2. Mr. Unterreiner stated that Blastco had completed work at Water Plant No. 1 earlier this month. The contractor will re-mobilize at Water Plant No. 2 in autumn 2011 when water demand should be lower, he added.

Mr. Unterreiner reported that Blastco had submitted Pay Estimate No. 1 in the amount of \$15,975 in connection with the Water Plant Improvements. After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize payment of Pay Estimate No. 1. A copy of Pay Estimate No. 1 is attached hereto as an exhibit to these minutes.

6. **Water Monitoring and Operations Plan (the "Operations Plan")**. The Board discussed the status of the Operations Plan being prepared by the District's Engineer. Mr. Unterreiner reported that J&C is finalizing the updates to the Operations Plan.

7. **Water Plant No. 1 & 2 / Proposed Control Upgrades**. Mr. Unterreiner reviewed with the Board three cost estimates for proposed control upgrades (the "Control Upgrades") at Water Plant Nos. 1 and 2 in order to improve redundancy in the controls and alarms. Copies of the cost estimates are included with the Engineer's Report. Mr. Unterreiner remarked that the cost estimates were as follows: (1) \$9,000 to install pressure switches on each of the four HPTs with connections to an autodialing unit; (2) \$20,800 to install pressure transmitters on each HPT with connections to two new booster pump control units (called "Option 2"); and (3) \$61,400 to install [a] a pressure transmitter on each HPT; [b] a pressure transmitter on each ground storage tank; and [c] a supervisory, control, and data acquisition system ("SCADA"), including a wireless transmitter, antenna, and tower. Mr. Unterreiner recommended that the Board select Option 2 for the Control Upgrades.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Engineer to proceed with Option 2 for the Control Upgrades as described above.

8. **Water Well Performance Testing**. Mr. Unterreiner discussed with the Board the performance tests conducted on the District's Water Well Nos. 1, 2, and 3 by G-M Services. He noted that the pump submergence on all of the water wells had rebounded by approximately 20 to 35 feet when compared with the levels noted in March 2010. Mr. Unterreiner added that the flow meter accuracy on Water Well No. 3 was measured at 95.5%.

9. **Capital Improvements Plan (CIP) and Surplus Funds Analysis**. Mr. Unterreiner called the Board's attention to the CIP and Surplus Funds Analysis as prepared by the District's Engineer, a copy of which is included with the Engineer's Report. He explained that the CIP shows the anticipated capital expenditures for major repair or rehabilitation work to the District's facilities for the next 10 years.

Then, after review, upon a motion duly made and seconded, the Board voted unanimously to accept the Engineer's Report.

ATTORNEY'S REPORT

The Vice President recognized Ms. Oliver, who presented the Attorney's Report. She 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.

LITIGATION SETTLEMENT

The Board discussed matters relating to the settlement of the litigation relating to the Development, Financing and Annexation Agreement by and between the District and JP/Raveneaux Partners, LP, and Kera Development, L.P. ("Raveneaux"). Director Fratangelo discussed with the Board reports of recent changes in the management of Raveneaux. Ms. Oliver noted that according to Fred Stumpf of Boyer Jacobs Short, PC (called "BJS"), special Attorney for the District, he had not yet received the second of 15 installment payments due jointly to the District and to BJS pursuant to the settlement of the Raveneaux litigation. Director Fratangelo expressed his understanding that Raveneaux is paying off debts owed to other entities but not the installment payments due to the District.

GROUNDWATER CREDITS / HARRIS-GALVESTON SUBSIDENCE DISTRICT ("HGSD")

The Board discussed matters relating to the proposed sale of the District's accumulated groundwater credits (the "Credits"). Ms. Oliver distributed copies of a table prepared by the District's Attorney that denotes the status of recent inquiries received from persons or entities regarding the possible purchase of the Credits. A copy of the table is attached hereto as an exhibit to these minutes. Ms. Oliver reported that the District's Attorney had been contacted during the past month by representatives of Goose Creek Country Club in Baytown regarding the possible purchase of Series A and Series B Credits. Ms. Oliver then reported that the HGSD had responded to the inquiry from the District's Attorney regarding certain limitations on the use of Series B Credits. She called the Board's attention to an electronic mail message from Kay Lackey of the HGSD, a copy of which is attached hereto. Ms. Oliver explained to the

Board that in addition to the 20-year term, the Series B Credits can only be used for up to 30% of the bearer's total water demand. Series A Credits, she continued, have a 40-year term and can be used for 100% of total water demand. Consideration was then given to adjusting the District's asking price for the Series B Credits.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to reduce the District's asking price for the sale of the Series B Credits from \$2.75 per 1,000 gallons ("k/gal") of Credit to \$1.00 per k/gal of Credit.

ANNEXATION OF STUEBNER AIRLINE TRACTS

Next, the Board discussed the proposed annexation of the Stuebner Airline tracts. Ms. Oliver reported that the District's Attorney had received from the District's Engineer a revised metes and bounds description for the tract owned by Stuebner Airline Vet Associates, LLC (the "Vet Clinic Tract"). The District's Attorney is preparing the annexation petitions for submission to the owners of the Vet Clinic Tract.

CYPRESSWOOD TRACTS

The Directors then discussed matters relating to certain tracts located on Cypresswood Drive (the "Cypresswood Tracts") that are owned by Kwik Industries, Inc. ("Kwik"), Landmark Industries LTD ("Landmark"), J&MB, LP, and P&M Tankers, Inc. ("P&M"). Ms. Oliver submitted for the Board's review a memorandum prepared by the District's Attorney regarding the notice of completion of the Stuebner Airline utilities and the actions required by the owners of the Cypresswood Tracts pursuant to the Consent Agreements between the owners and the District. A copy of the memorandum is attached hereto as an exhibit to these minutes. She reviewed with the Board the draft notice that would be forwarded to Kwik, Landmark, and P&M, as required by contract. A copy of the draft notice is included with the memorandum.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the District's Attorney to transmit the Notices to the owners of the Cypresswood Tracts upon completion of the Stuebner Airline utilities project.

Ms. Oliver then reviewed with the Board a memorandum prepared by the District's Attorney regarding the notice of completion of the Stuebner Airline utilities and the actions required by the owners of the Stuebner Airline Tracts pursuant to the Development and Annexation Agreements between the owners and the District. She reviewed with the Board the draft notice that would be forwarded to the owners of the Stuebner Airline Tracts. A copy of the draft notice is included with the memorandum. Ms. Oliver recommended that delivery of the notices to the owners of the Stuebner Airline Tracts be postponed until the District's Engineer has confirmed the final cost for the construction of the Stuebner Airline utilities and each owner's pro rata share of the cost. The Board concurred.

STRATEGIC PARTNERSHIP AGREEMENT ("SPA") WITH CITY OF HOUSTON

The Board discussed matters relating to the SPA with the City of Houston (the "City"). Ms. Oliver remarked that the District's Bookkeeper had not yet received any payment from the City for the District's share of sales tax collections pursuant to the SPA for limited purpose annexation of commercial property in the District.

82ND TEXAS LEGISLATURE

Next, Ms. Oliver reviewed the memorandum from Coats Rose outlining items for the Board to consider based on legislation passed by the 82nd Texas Legislature. First, she explained that under Senate Bill 100, the Board could decide to change the date for Directors Elections from May to November in even-numbered years. She added that the Secretary of State is preparing a rule change that would allow the District to change the date of its Directors Election to the May uniform election date in odd-numbered years rather than even-numbered years, which would apparently allow for an additional year on the current terms of office of Directors. She recommended that the District defer any action until after receipt of additional information from the Secretary of State. Ms. Oliver also reviewed the requirements of Senate Bill 18 under which the District had to confirm the District's eminent domain authority. That requirement had a deadline of 31 December 2012, she continued. A copy of the memorandum from the District's Attorney is attached hereto as an exhibit to these minutes.

OPERATOR'S REPORT

The Vice President recognized Mr. Phelps, who submitted to and reviewed with the Board the Operator's Report as follows:

1. **Water Plant Operations.** Mr. Phelps reported that the billed to pumped ratio for the prior month was 92.0% and that the District has 831 service connections, including 8 vacant single-family residences. He noted that surface water received from the NHCRWA accounted for 86% of the water distributed to the District's customers during June 2011.

2. **Utility Operator's Report.** Mr. Phelps reviewed with the Board the utility billing summary, accountability report, subsidence district report, NHCRWA fee report, and the 60-day delinquent list, as shown in the Operator's Report attached hereto.

A. **Substantial System Repairs.**

7719 Kleingreen	Service line break	\$ 1,253.48
7827 Heathrow	Main break	2,843.93
16527 Pilgrim Cr.	Service line break	799.01
7806 Heathrow	Service line break	959.72
7419 Barretts Crossing	Replace stolen meter	661.35
Klein High School	Complete 12" main & vault installation	11,935.54

B. **Commercial Taps.** Mr. Phelps reported that EDP had received and deposited the tap fee in the amount of \$43,510 in connection with the Whataburger restaurant on a 1.145-acre tract in Restricted Reserve A, Kleinwood Shopping Center, Section 2. Installation of the service tap, water meter, and new fire hydrant are complete, he told the Board.

C. **KISD Water Meter and Water Line Extension (the "Meter and Extension").** Mr. Phelps reported that the installation of the Meter and Extension are complete, but the KHS campus is continuing to use the original water meter as of this date. He remarked that the original water meter would be removed from service when the KHS campus connects with the new Meter and Extension. Mr. Phelps stated that the additional cost for the realignment of the water line, plus the additional cost associated with the required deviation from the construction plans, totals \$11,935.54. He noted that said costs would be passed on to KISD.

D. Water Valve Repairs. Mr. Phelps reported that the authorized repair of eight valves on the District's water distribution system (the "Valve Repairs") is in progress. He noted that the estimated cost for the Valve Repairs is \$8,000.

E. Water Bill Statement. Mr. Phelps reported that EDP is revising the format of the monthly statements sent to the District's customers for water service (the "Statements") to improve readability and to include (1) information regarding the NHCRWA fee; and (2) a 12-month history of water usage. He added that reformatting the Statements would likely take three or four months to complete. Mr. Phelps then informed the Board that EDP is installing a payment drop box for the Statements at the Kleinwood Regional Wastewater Treatment Plant.

TERMINATION OF SERVICE

Consideration was then given to the termination of water and sewer service to certain delinquent accounts. The Vice President recognized Mr. Phelps, 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 Board meeting which they could attend to discuss termination of service. The Board noted that there were no customers present to protest the utility billings.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to authorize the Operator to terminate the water and sewer service to those accounts listed on the termination list attached hereto.

REPORT ON OPERATION OF DISTRICT OFFICE

The Vice President recognized Mr. Schuett, who presented the report concerning the District Office (the "Office Report"), a copy of which is attached hereto. Mr. Schuett called the Board's attention to a cost estimate from Summit Landscape Services, Inc. ("Summit"), for replacement of a malfunctioning control unit at the Walking Garden. A copy of the cost estimate is included with the Office Report. Mr. Schuett noted that Summit had quoted a price of \$455 to replace the control unit.

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

BOOKKEEPER'S REPORT

Mr. Schuett distributed to the Board copies of the Bookkeeper's Report on behalf Claudia Redden & Associates, L.L.C., the District's Bookkeeper, a copy of which 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.

KLEINWOOD JOINT POWERS BOARD ("KJPB")

Director Fratangelo presented a report on the activities of the KJPB.

NHCRWA

Mr. Green distributed copies of a memorandum from the District's Attorney regarding the 11 July 2011 meeting of the NHCRWA board of directors. A copy of the memorandum is attached hereto.

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




Secretary, Board of Directors

Kleinwood Municipal Utility District
Meeting of 28 July 2011
Attachments

1. Security Patrol Report;
2. Tax Assessor/Collector's Report;
3. Request for Installment Agreement;
4. List of Uncollectible Accounts;
5. Delinquent Tax Attorney's Report;
6. Email / TWDB final accounting;
7. Coats Rose audit letter;
8. GASB Statement No. 54 notice;
9. Engineer's Report;
10. Pay Estimate No. 3 / Stuebner Airline utilities;
11. Pay Estimate No. 1 / Water Plant Recoating;
12. Coats Rose memorandum / status of ongoing matters;
13. Table / groundwater credit sales;
14. Email re Series B groundwater credits
15. Coats Rose memorandum / notice to property owners on Cypresswood Drive;
16. Coats Rose memorandum / notice to property owners on Stuebner Airline Drive;
17. Coats Rose memorandum / Legislative Update;
18. Operator's Report;
19. District Office Report;
20. Bookkeeper's Report; and
21. Coats Rose memorandum / NHCRWA.