

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

12 August 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 special session, open to the public, on 12 August 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:

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 Fratangelo, thus constituting a quorum.

Also present were: Roger Schuett, Office Manager for the District; Fred Stumpf with Stumpf Cannon Fasthoff, P.C., special Attorney for the District; and Dick Yale and Marcia Oliver of Coats, Rose, Yale, Ryman & Lee, P.C., the District's Attorney.

Director Ehmann called the meeting to order.

PROPOSED STRATEGIC PARTNERSHIP AGREEMENT

First, the Board discussed matters relating to the proposed Strategic Partnership Agreement (the "SPA") with the City of Houston (the "City") for limited purpose annexation of commercial property in the District (the "Annexation"). Ms. Oliver reported that the District's request for a SPA is currently undergoing consideration by the City. She added that the City had recently declined the request submitted by Cypress-Klein Public Utility District for a SPA, because that district's commercial tracts were outside the City's 3-mile limit. Mr. Yale commented that some of the commercial tracts in the District are also outside the 3-mile limit and would thus not be eligible for inclusion in the Annexation. He remarked that the District could approach the owners of the HEB Center and the CVS Pharmacy to see whether they would be agreeable to the Annexation, because the City has indicated they would consider annexation of commercial tracts outside the 3-mile limit if the property owners consent. Mr. Yale then discussed with the Board the anticipated advantages to the District for entering into the SPA, to-wit: (1) the City would impose a sales and use tax within the boundaries of the Annexation and would then pay back to the District one-half of the sales and use tax revenue collected within the area included in the Annexation; and (2) the City would delay full purpose annexation for the term of the SPA (30 years). Director Bryl expressed his desire for the SPA to include a provision for noise abatement at Bush Intercontinental Airport the ("Airport"). Directors

Ehmann and Allard remarked that Airport noise abatement is not within the District's jurisdiction. Director Ehmann expressed his view that the City would be unlikely to consider Airport noise abatement in conjunction with the SPA.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) authorize the District's Attorney to contact the owners of the HEB Center and the CVS Pharmacy to ascertain whether they would be willing to work with the District with respect to the SPA process; and (2) authorize the Directors and the District's consultants to pursue the SPA to the fullest extent.

FORMER DIRECTORS STEPHEN E. WILLIAMS AND VIC FOWLER

Ms. Oliver presented the Directors with execution drafts of the letters from the Board expressing the Board's appreciation to former Directors Stephen E. Williams and Vic Fowler for their years of service on the Board (the "Appreciation Letters"). Mr. Schuett presented the Board with the plaques to be presented to former Directors Williams and Fowler with the Appreciation Letters. All of the Directors in attendance then executed the Appreciation Letters. Director Ehmann stated that he would (1) obtain Director Fratangelo's signature on the Appreciation Letters; and (2) present the Appreciation Letters and the plaques to former Directors Williams and Fowler. Copies of the Appreciation Letters are attached hereto as exhibits to these minutes.

MILL CREEK APARTMENTS / PAYMENT IN LIEU OF AD VALOREM TAXES ("PILOT")

Next, the Board discussed the status of the PILOT payments due to the District from the Mill Creek Apartments (the "Apartments"). Ms. Oliver submitted to and reviewed with the Board a draft letter (the "PILOT Letter") from the District's Attorney to (1) the manager of the Apartments; and (2) American Opportunity for Housing, Inc. ("AOH"), regarding the PILOT payments. The PILOT Letter states that the District has been billing the Apartments \$1,169.00 per month for the PILOT payment, whereas the monthly amount that should have been billed in 2010 based on the District's 2009 tax rate is \$3,011.86, pursuant to the formula established in Section 3.08 of the District's Consolidated Rate Order. The PILOT Letter also states that effective 1 October 2010, the District will begin charging the full amount of the PILOT payment as calculated pursuant to the Rate Order. A discussion ensued regarding the PILOT Letter. The Board directed Ms. Oliver to revise the PILOT Letter to state that the District would not back-charge the Apartments for the undercharged amount of the PILOT payments over the past several years.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) to approve the PILOT Letter as amended; and (2) authorize the District's Attorney to execute the PILOT Letter and forward same to the Apartments manager and AOH. A copy of the PILOT Letter is attached hereto as an exhibit to these minutes.

MAINTENANCE OF DETENTION PONDS / THE FALLS AT CHAMPION FOREST

The Board discussed matters relating to the maintenance of the detention ponds serving The Falls at Champion Forest subdivision (called "The Falls"). Consideration was given to withdrawing the District's offer to The Falls at Champion Forest Property Owners Association (the "Falls Association") for the proposed Detention Pond Agreement between the District and the Falls Association.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to (1) withdraw the District's offer to the Falls Association for the Detention Pond Agreement; and (2) authorize the District's Attorney to forward written notification to the Falls Association regarding the withdrawal of the offer.

GENERAL DRAINAGE AND DETENTION ISSUES

Director Bryl then reported that the swing and other items located along the detention pond serving The Falls would need to be removed. He stated that Chaparral Management Company ("Chaparral"), the management company for the Falls Association, would transmit letters to residents in The Falls regarding this matter. Director Bryl reported that a dead pine tree located in a stormwater detention easement near 7926 Anola Lane is threatening to come in contact with nearby electric power lines. Director Bryl stated that he had contacted Chaparral and requested that they address this matter. Director Bryl then discussed with the Board the condition of the slopes of the dry detention pond serving The Falls. Director Bryl also discussed with the Board the underground stormwater detention facility being planned by Klein Independent School District.

CRITICAL FACILITIES INFRASTRUCTURE MAPPING PROJECT

Next, Ms. Oliver informed the Board that the District's Attorney had been contacted by personnel with Lamar University regarding the possible participation by the District in the Critical Facilities Infrastructure Mapping Project (the "Mapping Project") being conducted by the Texas Commission on Environmental Quality (the "Commission") through several universities in Texas. Attached hereto as an exhibit to these minutes is a copy of a letter dated 1 September 2009 from the Commission regarding the Mapping Project. Ms. Oliver explained to the Board that participation in the Mapping Project appears to be voluntary, based on her conversations with Lamar University representatives, and would entail the GPS mapping of locations in the District of certain critical facility infrastructure for public water supplies, such as water plants, ground storage tanks, emergency water interconnections, chemical storage areas, and auxiliary generators.

After discussion, upon a motion duly made and seconded, the Board voted unanimously to decline participation in the Mapping Project.

MILL CREEK APARTMENTS / REPAIR OF PRIVATE LIFT STATION

The Board discussed matters relating to the privately owned sanitary sewer lift station (the "Lift Station") serving the Apartments. Ms. Oliver provided the Board with copies of a letter dated 11 August 2010 from the District's Attorney to (1) the manager of the Apartments; and (2) AOH regarding the Lift Station. A copy of the letter is attached hereto as an exhibit to these minutes.

EXECUTIVE SESSION

The Board went into executive session, pursuant to Open Meetings Act, Section 551.071, Government Code, at 10:40 a.m., to discuss matters relating to ongoing litigation. The Board returned to open session at 11:30 a.m.

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


Secretary, Board of Directors

(SEAL)



Kleinwood Municipal Utility District
Attachments to Minutes
12 August 2010

1. Appreciation Letters to former Directors;
2. Letter from Coats Rose to Mills Creek Apartments – PILOT payments;
3. Letter from TCEQ – Critical Facilities Mapping Project;
4. Letter from Coats Rose to Mills Creek Apartments – private lift station.