

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

1 April 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 1 April 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: Roger Schuett, Office Manager; James Woods and Jim Ray, representing The Falls at Champion Forest Property Owners Association (the "Falls Association"); John Lightfoot with John Lightfoot Investments, L.P., developer of Land in the District; and Dick Yale and David F. Green of Coats, Rose, Yale, Ryman & Lee, P.C., Attorney for the District.

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

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 submitted to and reviewed with the Board a letter dated 29 March 2010 from the Falls Association regarding the maintenance of the Detention Ponds. A copy of the letter is attached hereto and shall be considered to be part of these minutes. Mr. Woods called the Board's attention to eight concerns (the "Concerns") stated in the letter by the Falls Association with respect to the proposed Agreement and the maintenance of the Detention Ponds, to-wit: (1) maintaining the current appearance of certain improvements (the "Improvements") that encroach on the storm water quality ("SWQ") features of the Detention Ponds; (2) maintaining the current appearance of the Detention Pond sites; (3) maintaining the current level of access to the Detention Pond site by the public and residents of the Falls; (4) ensuring that the Falls Association is involved in decisions affecting the appearance of the Detention Pond sites and the Improvements; (5) ensuring that if an Improvement is removed, that the Falls Association

would be compensated by the District for the loss, or that the loss would be mitigated with additional Improvements acceptable to all parties; (6) addressing concerns by residents of the Falls regarding the conveyance of the Detention Pond sites to the District ; (7) preventing any change in the public's access to the gated area of the Falls; and (8) providing for the return of ownership of the Detention Pond sites to the Falls Association if an unforeseen event were to occur that would adversely affect the residents of the Falls.

Mr. Woods stated that the Falls Association is proposing two options regarding the maintenance of the Detention Ponds: (1) transferring the ownership of the Detention Pond sites from the Falls Association to the District, with an agreement between the parties stating that the Detention Pond sites would be properly maintained and which would include provisions to address the Concerns stated above; and (2) for the Falls Association to retain ownership of the Detention Pond sites and contract with the District for the maintenance of the SWQ features of the Detention Ponds. He added that the Falls Association would also consider joint ownership of the Detention Pond sites.

Director Fowler said that Harris County stormwater regulations (the "Regulations") state that the owner of a stormwater detention facility will be responsible for maintaining the SWQ features. He added that the Regulations also state that any body receiving stormwater drainage from a public street shall be maintained by a governmental entity. Director Allard expressed her concern that an agreement entered into by the District and the Falls Association that addressed the Concerns might limit the actions of future Boards to maintain or repair the SWQ features in compliance with the Regulations. Mr. Yale remarked that any such agreement as proposed by the Falls Association would need to assign superiority to the District so that it could take action as needed in a timely manner in order to comply with the Regulations or with other rules promulgated by government agencies. If the District did not have sufficient discretion to act promptly in order to comply with the Regulations, he continued, it could be subject to fines and litigation. Director Williams added that it would not be the District's best interests to have to negotiate with each homeowners association for the maintenance or repair of their respective detention ponds, since doing so would complicate the District's operations and increase its costs. Mr. Lightfoot proposed that the District assume ownership of the Detention Pond sites and then lease the properties to the Falls Association, which would assume responsibility for maintenance of the SWQ features. Director Fowler commented that the Falls Association had not performed any maintenance on the SWQ features of the Detention Ponds during the past year. He distributed to the Board copies of photographs taken by Champions Hydro-Lawn, Inc. ("Champions") of sinkholes in the dry detention channel and maintenance channel of the Detention Ponds. He noted that noted that Champions had estimated a cost of \$20,000 to repair the sinkholes. Copies of the photographs and proposals for the repairs of the sinkholes as prepared by Champions are attached hereto as exhibits to these minutes. Director Fratangelo expressed his view that the District should not accept ownership of the Detention Ponds unless they are in good condition.

After further discussion, Director Fowler proposed that the Falls Association notate the Agreement with comments and proposed revisions, and forward same to the District's Attorney. The Board concurred.

PENDING LITIGATION

Mr. Yale briefly discussed with the Board the status of pending litigation relating to the Development, Financing and Annexation Agreement by and between the District and JP/Raveneaux Partners, LP, and Kera Development, L.P. (the "Litigation"). He discussed with

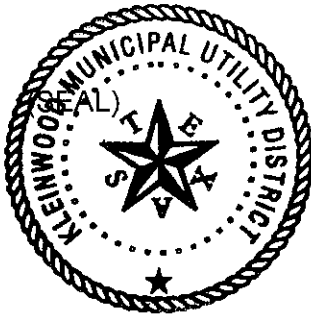
the Directors the possibility of scheduling a special meeting of the Board to confer with Fred Stumpf of Stumpf Farrimond, P.C., special counsel to the District, regarding the Litigation. He noted that the Board had authorized Directors Fowler and Williams to make day-to-day decisions in regard to the Litigation in regard to procedural matters.

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.

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

Approved this 22 April 2010



Robert Elmann
Secretary, Board of Directors