

MINUTES OF MEETING
BOARD OF DIRECTORS

June 26, 2008

THE STATE OF TEXAS

COUNTY OF HARRIS

CHARTERWOOD MUNICIPAL UTILITY DISTRICT

The Board of Directors (the "Board") of Charterwood Municipal Utility District (the "District") met in regular session, open to the public, at Comfort Suites/Willowbrook, 21222 Tomball Parkway, Houston, Texas, a meeting place inside the boundaries of the District, on Thursday, June 26, 2008, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Richard G. Howe	-	President
Jean Aldredge	-	Secretary
Tommy Kelley	-	Assistant Secretary/Treasurer
Tom Thomson	-	Assistant Secretary

All members of the Board were present, thus constituting a quorum.

Also attending the meeting were Ken Love with Municipal District Services, the District's Operator ("Operator"); Mark Adam with AEI Engineering, Inc., the District's Engineer ("Engineer"); Kristen Scott of Bob Leared Interests, the District's Tax Assessor/Collector("TAC"); Michael Murr of Murr Incorporated, landscape architect; and Tim Green, Attorney and Lori Crawford, Legal Assistant, of Coats, Rose, Yale, Ryman & Lee, P.C. Attorneys for the District ("Coats/Rose").

WHEREUPON, the meeting was called to order. The posted meeting notices are attached hereto.

APPROVAL OF MINUTES

The Board first considered approving the minutes of meetings held May 12, May 27 and June 16, 2008. Following discussion and based on a motion by Director Aldredge which was seconded by Director Kelly, the Board approved the minutes of the May 12 Board meeting. Based on a motion by Director Kelly which was seconded by Director Thomson, the Board approved the minutes of the May 27 Board meeting. Based on a motion by Director Kelly which was seconded by Director Thomson, with Director Howe abstaining from the vote, the Board approved the minutes of the June 16 Board meeting as presented.

PUBLIC COMMENT

No members of the public were present.

CONSIDER PROPOSAL OF PAYNE COMMUNICATIONS FOR COMMUNITY RELATIONS PROGRAM

The Board reviewed the proposal of Payne Communications for the District's community relations program. Director Howe suggested that the proposal be revised to include provisions for a) termination without cause by either party upon thirty (30) days' written notice to the other party, and b) sole ownership by the District of the website and domain name in the event hosting services provided by The Texas Network are terminated. Following discussion and based on a motion by Director Thomson which was seconded by Director Aldredge, the Board voted unanimously to accept the proposal, subject to acceptance of the changes noted. Ms. Crawford said she would discuss these changes with Payne Communications and the Texas Network (the host service for the proposed website) and request that they be incorporated into the terms of service under the proposal.

BOOKKEEPER'S REPORT

Ms. Crawford reviewed the District's receipts, expenditures, capital projects and debt service funds for the current reporting period. She updated the Board on city sales tax income and expenses related to the WWTP expansion, the Joint Water Plant expansion and energy consumption. She also noted the payment to Industrial TX Corp. for pay estimate No. 11 in the amount of \$320,950.00. Following review of the Bookkeeper's Report, and based on a motion by Director Thomson which was seconded by Director Kelly, the Board voted unanimously to approve the Bookkeeper's Report as presented, and to authorize payment of District expenses reflected in such report.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Scott reviewed the TAC report for the period ending May 31, 2008, noting that 96.9% of 2007 taxes have been collected to date. She reported on receipts and disbursements from the tax account and reviewed historical tax data reflecting that the 2008 preliminary taxable value in the District is approximately \$289,376,000. The Board noted that the 2008 preliminary value represents a 24% increase over the 2007 certified value.

Ms. Scott then discussed the proposed Depository Pledge Agreement with Comerica Bank ("DPA"). She explained that the TAC is recommending that the District transfer its tax account from Woodforest Bank to Comerica Bank due to some issues and concerns with Woodforest's handling of the District's account. She also noted that Comerica is offering a significantly higher interest rate than the rate offered by Woodforest. Following discussion and based on a motion by Director Kelly which was

seconded by Director Thomson, the Board voted unanimously to approve the new DPA and related account documents for signature.

Following a full review of the TAC report, and based on a motion by Director Kelly which was seconded by Director Aldredge, the Board voted unanimously to approve the TAC's Report and authorize payment of tax-related expenses.

ENGINEER'S REPORT

The Board then recognized Mr. Adam who presented the Engineer's Report and updated the Board on various engineering and construction projects in the District. A copy of the Engineer's report is attached hereto.

Mr. Adam noted the request for payment No. 11 in the amount of \$320,950.00 from Industrial TX Corp. for the STP expansion project, and recommended approval of such request. On another matter regarding the project, Mr. Adam advised the Board that the project is 50% complete and the contractor has requested that no retainage be applied to future pay estimates. He recommended the District hold the current retainage of approximately \$321,000 until completion of the project, but discontinue holding retainage from each pay estimate. A copy of the pay request and back-up documentation are included with the Engineer's report.

Mr. Adam updated the Board on the following engineering and construction matters and projects: a) Wastewater Treatment Plant ("WTP") expansion; b) proposed improvements at the water supply plants; c) the sanitary sewer rehabilitation; d) the site plan for the meeting facility; e) the detention/drainage facility master plan; and f) the dry detention pond monthly inspection report. He said no service requests have been received since the last Board meeting.

He noted that the TCEQ has conditionally approved the 309 Buffer Zone Variance Request, provided that the site commits to meeting the full one-hundred fifty (150) foot buffer zone for the location of sludge dewatering equipment.

With respect to the Water Plant No. 2 expansion one (1) year warranty review, Mr. Adam reviewed an acceptance certificate issued following correction of deficiencies noted in November of 2007, and subsequent completion of the project. He said the certificate has been forwarded to the contractor, Gemini Contracting Services, Inc.

Mr. Adam then updated the Board on the status of Smith Commercial Contracting's request for reimbursement from surplus funds. He said he has requested additional documentation to support the request for reimbursement. No action was taken.

Mr. Adam and Mr. Love then addressed the Board regarding replacement of the hydro tank at water plant no. 1, recommending to the Board that it be replaced as soon as possible. Mr. Adam noted that plans and specifications have been prepared and that the estimated cost to replace the tank is \$75,000.00. Following discussion and based on a motion by Director Aldredge which was seconded by Mr. Thomson, the Board authorized the Engineer to advertise for bids for the project, and resolved to reimburse the District's operating account for such costs from future bond proceeds or surplus construction funds. It was noted that a written resolution would be prepared for the next Board meeting. Mr. Adam indicated he would have bids for review at the next regular Board meeting.

Mr. Adam next reviewed drawings representing the options for the layout of the community center, as requested by the Board at the last meeting. Following review by the Board, the Board concurred that the Option 3 drawing represents the preferred layout. Mr. Green then discussed with the Board the issue of condemnation of property outside

the District to be used for recreational purposes, specifically pools and/or golf courses, playgrounds or parks. He said the applicable law does not allow for condemnation of property outside the boundaries of the District if the land will be used for recreational facilities. It was noted that a district is permitted to exercise the power of eminent domain for a trail. Following discussion, and based on a motion by Director Thomson which was seconded by Director Aldredge, the Board voted unanimously to authorize the Engineer and Attorney to have an appraisal prepared on the approximately 9 acres the District is considering purchasing for the community center site.

Mr. Adam then discussed the requirement for developing a Park Plan in connection with having park bonds approved by the voters. He also reminded the Board that the Bond Authorization Requirement ("BAR") for water, sewer and drainage facilities will be approximately \$15 million and the amount for recreational facilities will be approximately \$5 million, per the Board's authorization at the June 16 Board meeting. Following discussion, and based on a motion by Director Kelly which was seconded by Director Thomson, the Board voted unanimously to authorize the Engineer to proceed with development of the Park Plan and to prepare the BAR reports.

The Board then advised Mr. Murr that they do not want to plant trees at the bottom of Pillot Gully, and requested that the quantity of trees included in the trail plan be reduced. Mr. Murr and the Board then discussed the advantages and disadvantages of placing trees along the bottom of the channel. The Board then requested that Mr. Murr revise the proposed plans to reduce the width of the trail from 8' to 6'. The Board requested that Mr. Murr bid the job with one-half (1/2) the proposed number of trees (as

Phase 1); then if the Board decides at a later time to plant more trees, such work could be bid as Phase 2 of the project.

The Board then discussed scheduling a special meeting for July, and concurred to meet at 7:30 at the Engineer's office on Monday, July 14. Mr. Murr reminded Ms. Crawford to place the proposals for median/esplanade and the buffer maintenance on the agenda for action at the special meeting. The Board requested that Mr. Murr revise the proposal for the esplanade to include two (2) inspections per year rather than four (4) inspections per year.

Following review and discussion of engineering and construction matters, and based on a motion by Director Aldredge which was seconded by Director Thomson, the Board voted unanimously to approve the Engineer's report and the request for payment in the amount of \$320,950.00 for the STP expansion to Industrial Tx. Corp.

CONFIRM AND RATIFY MOFFITT AGREEMENT AND FIRE HYDRANT WORK

The Board concurred to ratify action taken to authorize the Operator to proceed with work on the District's fire hydrants and ratify the Board's approval of the new agreement with Moffitt Specialty Fueling for service on the District's fuel tanks at the water plants.

SURPLUS FUNDS APPLICATION

The Board concurred to table discussion of the surplus funds application until a future Board meeting.

OPERATOR'S REPORT

Mr. Love reviewed with the Board the operations report for the current reporting period, a copy of which is attached. He updated the Board on collections, billings, and

water production and accountability. He noted that the 4-month accountability average is 93.2%. He also reviewed the delinquent list, reminding the Board that the Operator has provided notice to customers delinquent on their accounts in accordance with the Rate Order, and has provided notice that service will be terminated if the account is not brought current by the scheduled termination date.

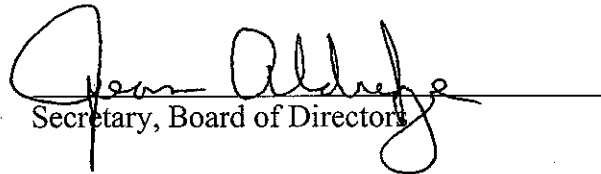
Mr. Love requested the Board's authorization to turn over the delinquent accounts listed on the Write Off Report to a collection agency. In this regard, the Board discussed reviewing the District's Rate Order to determine if the District should raise the amount required for a deposit on multi-family dwellings. Mr. Love noted that the standard deposit for a multi-family dwelling is three (3) times the amount of the average monthly bill as a deposit. It was noted that apartment complex owners and management generally attempt to have this amount lowered, offer a letter of credit, or otherwise avoid paying the full amount of the deposit. It was noted that the matter should be placed on the next regular meeting agenda. Director Howe directed Mr. Love to review and determine the average monthly bill for the Tivoli Apartments (for the twelve (12) months preceding February 2008) and determine the amount of deposit on the account. Following discussion and based on a motion by Director Aldredge which was seconded by Director Thomson, the Board voted unanimously to authorize the Operator to turn over the accounts on the Write Off Report for collection; approve the Operator's report as submitted; and authorize the termination of service to customers remaining delinquent in payment of their service bills on the scheduled termination date.

SECURITY

Director Kelly discussed Officer Drake's schedule and rate of pay, noting that it would be advantageous to the District to have additional security patrol on Saturday evenings. Director Howe suggested that Officer Drake's hourly rate be raised to \$40/hour and that he work patrol from 6:00 p.m. until 2:00 a.m. on Saturday evenings. Director Kelly said he would discuss the matter with Officer Drake and provide an update at the next meeting.

There being no further business to come before the Board, the meeting was adjourned.

PASSED, APPROVED AND ADOPTED this 22nd day of July, 2008.


Secretary, Board of Directors

(DISTRICT SEAL)

