

MINUTES OF MEETING
BOARD OF DIRECTORS

July 22, 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 Tuesday, July 22, 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, except Director Thomson, 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"); David Merritt, C.P.A., the District's Auditor ("Auditor"); Kristen Scott of Bob Leared Interests, the District's Tax Assessor/Collector ("TAC"); David Nussbaum of V&W Partners, Ltd., landowner and developer in the District ("V&W"); Barbara Payne of Payne Communications, the District's public relations consultant ("Payne"); and Josh Kahn, 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 the meeting held June 26, 2008. The Board noted a correction to the minutes with regard to the discussion about increasing the hourly rate for security services. It was noted that the rate is to be increased to \$30/hour from \$25/hour. Following discussion and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board approved the minutes of the June 26 Board meeting, subject to correction as noted.

PUBLIC COMMENT

No members of the public were present.

AGREEMENT WITH TEXAS NETWORK FOR WEBSITE DESIGN AND HOSTING

The Board recognized Ms. Payne who discussed the advantages of a full-service website and hosting program offered by The Texas Network ("TTN"). Ms. Crawford referred the Board to the handout she distributed containing copies of sample home pages and site content for several districts for which TTN provides web design and managed hosting services. She reviewed the options and pricing for the available packages. Following a full discussion regarding the web design and hosting services, and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board voted unanimously to hire TTN to develop and design the District's website, and provide web hosting services under the terms of Plan C. Ms. Payne assured the Board that the District will retain ownership of the domain name and the website should the Agreement with TTN be terminated. Ms. Crawford noted that she would have the TTN Agreement

finalized and ready for execution at the next special meeting. The Board concurred to appoint Director Aldredge as the District's liaison with Ms. Payne and TTN with respect to development of the website.

BOOKKEEPER'S REPORT

Ms. Austin 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. 12 in the amount of \$208,524.22.

Ms. Austin reviewed the status of the billings and receipts from the North Harris County Regional Water Authority ("NHCRWA") pursuant to the Interlocal Agreement, and discussed with the Board the apparent discrepancies between the amount being billed and the payments received. Following discussion regarding bookkeeping matters, and based on a motion by Director Aldredge which was seconded by Director Kelley, the Board voted unanimously to approve the Bookkeeper's report as presented and authorize payment of District expenses reflected in such report.

With regard to the Interlocal Agreement, Mr. Adam noted the District's primary concerns, as follows: i) the Agreement needs to be revised; ii) billings/payments need to be reconciled; and iii) the cost per gallon needs to be adjusted. Upon further discussion, the Board concurred to authorize Coats/Rose to prepare a letter to the NHCRWA outlining the District's concerns and requesting a meeting with Jimmie Schindewolf to discuss and resolve the issues related to the Interlocal Agreement.

AUDITOR'S REPORT

The Board recognized David Merritt, who presented the draft Audit for fiscal year ended March 31, 2008. He reviewed the draft report with the Board and responded to comments and questions from Board members and consultants regarding the audit. Following review and discussion and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board voted unanimously to approve the audit, subject to the changes noted. Director Howe requested that Mr. Merritt provide electronic (.pdf) copies of the last seven (7) years' audits to Ms. Crawford.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Scott reviewed the TAC report for the period ending June 30, 2008, noting that 97.8% 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.

Following a full review of the TAC report, and based on a motion by Director Aldredge which was seconded by Director Kelly, the Board voted unanimously to approve the TAC's Report and authorize payment of tax-related expenses. It was noted that the TAC will present an Addendum to the TAC Contract with the District at the next regular meeting. Ms. Crawford said she would include such Addendum on the meeting agenda for approval.

ENGINEER'S REPORT

The Board recognized Mr. Nussbaum on behalf of V&W who updated the Board on development in Vintage Lakes subdivision. He relayed Mr. Kickerillo's concern about the visibility of the STP and urged the Board to consider expediting the

construction of the fence as required per the terms of the Utility Development Agreement. Mr. Nussbaum also discussed with the Board the District's acquisition of all or a portion of the remaining lots adjacent to the STP. The Board concurred that the price for the lots is too high, and indicated the Board's preference for the approximately 9-acres north of the District as the site for the meeting facility. Mr. Nussbaum said V&W is willing to construct the fence if the District agrees to reimburse V&W for the costs associated with constructing the fence. Mr. Nussbaum said he would have a proposal for construction of the fence at the next special meeting. He then requested that the District confirm that the Utility Development Agreement states that the fence will be 8' tall and constructed of brick. Mr. Adam, Mr. Love and Mr. Nussbaum agreed to work together to get two (2) proposals for construction of the fence.

Mr. Nussbaum then addressed the matter of the funds advanced by Harris County MUD 468 ("MUD 468") to the District for its share of STP expansion costs. He said MUD 468 has assumed all of V&W's rights and obligations under the Wastewater Treatment Facilities Agreement, pursuant to an Assignment dated August 24, 2006. In that regard, he requested the Board's authorization for Coats/Rose to prepare a letter to Laredo National Bank indicating that no further demands for payment for expansion costs will be made to V&W Partners, Ltd. Based on a motion by Director Kelley which was seconded by Director Aldredge, the Board authorized Coats/Rose to prepare the letter as requested.

Mr. Nussbaum then said he spoke with Jim Miller about asking a resident of Vintage Lakes to serve on the Board of Directors. He said Mr. Miller indicated it would

not be a good fit and that he would not recommend pursuing a resident of Vintage Lakes to serve on the Board.

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. 12 in the amount of \$208,524.22 and a change order in the amount of \$29,700 for applying the protective coating to the walls of the lift station. He discussed the contractor's request for a reduction in retainage from 10% to 5% of the total contract amount. Mr. Adam noted that Section 49.276(d), Chapter 49, Texas Water Code, provides that the District can reduce retainage upon substantial completion of the project, at its discretion. Mr. Adam requested that Coats/Rose review the provisions of Section 49.276(d) and confirm the District's authority to reduce retainage from 10% to 5% of the total contract amount at this stage of completion of the project. He said he did not think the District has the authority to reduce retainage at this time.

Mr. Adam then presented a proposal from Alan Dominy for appraisal services on the approximately 9-acres of land north of the District for the proposed meeting building site. The Board requested that Coats/Rose research the District's authority to use its powers of eminent domain to condemn land to be used for a meeting building. Ms. Crawford referred to Section 54.209 of the Texas Water Code which limits the use of eminent domain for acquisition of a site for "recreational facilities". The Board requested that Coats/Rose research the matter to determine if a meeting facility would fall within the definition of "recreational facilities".

The Board next addressed the possible extension of Lake Road to Rodgers Road. Mr. Adam reported on his discussions with Harris County Pct. 4 about the possibility of the county constructing the extension. He said Pct. 4 has indicated there are no funds for such a project, and no foreseeable sources of funding to extend the road in the future. The Board then discussed the District's authority to extend the road, and it was noted that Pct. 4 has indicated that the county would accept the road for perpetual maintenance if the District constructed the extension. The Board requested that Coats/Rose research the authority of the District to extend the road. Mr. Adam said it could be argued that the extension of Lake Road is reasonable and necessary in order for the District to access water and sewer lines that were constructed in the 1980's, but are inaccessible due to overgrowth in the area.

The Board next considered authorizing the Engineer to advertise for bids for the sanitary sewer rehabilitation project. Based on a motion by Director Aldredge which was seconded by Director Kelley, the Board voted unanimously to authorize the Engineer to advertise for bids for the project.

Following a full review and discussion of engineering and construction matters, and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board voted unanimously to approve the Engineer's report, the request for payment in the amount of \$208,524.22 for the STP expansion, and the Change Order for \$29,700 to apply protective coating to the lift station walls. The Board also concurred to ratify and confirm previous authorization for such project as a change order to the STP expansion project.

RESOLUTION DECLARING INTENT TO REIMBURSE

The Board next considered a Resolution declaring the District's intent to reimburse the operating account from future bond proceeds for expenditures related to replacement of the hydro tank. Following discussion and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board voted unanimously to adopt the Resolution and declare the District's intent to reimburse the operating fund for expenditures related to replacement of the hydro tank from future bond proceeds.

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 91%. 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 then reviewed the apartment complex usage summary he prepared in response to the Board's request at the last meeting. He noted that deposits on file are adequate to cover the amount of usage for Tivoli 1 and 2, as well as irrigation for Tivoli 1 and 2. He noted that Vintage Park's deposit is about \$3,000 less than the deposit amount that would be due if the District charged three (3) times the 4-month average usage. The Board and consultants then discussed measures the District could undertake to enforce full and prompt payment of water bills due from the multi-family dwellings. Director Howe inquired about the District's authority to notify each resident in writing that water would be turned off by a specified time if payment is not made by the apartment

management. The Board concurred to discuss this matter at the next Board meeting and consider actions to alert apartment dwellers of management's refusal to pay and to consider increasing the deposit due from multi-family dwellings.

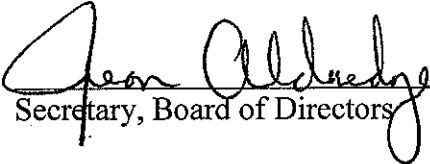
Following discussion and based on a motion duly made and seconded, the Board voted unanimously to approve the Operator's report as submitted and authorize the termination of service to customers remaining delinquent in payment of their service bills on the scheduled termination date.

SECURITY

The Board noted that its intention with respect to providing additional security in the District is to have an officer, other than Officer Drake, provide patrol services on Saturday(s). Pending further discussion regarding the matter, no action was taken.

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

PASSED, APPROVED AND ADOPTED this 26th day of August, 2008.


Secretary, Board of Directors

(DISTRICT SEAL)

