

MINUTES OF MEETING
BOARD OF DIRECTORS

August 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 Tuesday, August 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"); David Nussbaum of V&W Partners, Ltd., landowner and developer in the District ("V&W"); Steve George of Steve George, Inc., a representative of landowners outside the District; Michael Murr of MURR, Inc., the District's landscape architect ("MURR"); Wendy Austin of District Data Services, Bookkeeper for the District ("Bookkeeper") 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 meetings held July 14, July 22 and August 7, 2008. Ms. Crawford reminded the Board that the requested changes have been made in the minutes.

Based on a motion by Director Aldredge which was seconded by Director Kelley, the Board unanimously approved the July 14 minutes. Based on a motion by Director Kelley which was seconded by Director Thomson, the Board unanimously approved the July 22 minutes. Based on a motion by Director Kelley which was seconded by Director Thomson, the Board unanimously approved the August 7 minutes.

RECEIVE REPORT FROM LANDSCAPE ARCHITECT

Mr. Murr updated the Board on current and proposed projects in the District, including Cutten Road and greenbelt work. No action was necessary.

PUBLIC COMMENT

The Board recognized Mr. Steve George, a broker representing some owners of land outside the District that are interested in annexation of their property into the District. He briefly outlined basic plans for a commercial development on the south side of Lake Road. Discussion ensued regarding the required landscape buffer relative to the development. The Board stated that the District requires a minimum 20 ft. landscape buffer. Mr. George said he would confer with his clients and report back to the Board at a later Board meeting. No action was taken.

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. 13 in the amount of \$344,292.87 which is also reflected in the engineer's report and recommended for payment.

Following discussion regarding bookkeeping matters, and based on a motion by Director Kelley which was seconded by Director Thomson, 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 District's audit, Director Howe voiced his concern for the auditor's letter related internal control standards with regard to the District's financial oversight. Ms. Austin explained that the rule related to internal controls is a general rule applied to all municipalities which really does not fit municipal utility districts. She said hiring an independent auditor to review the District's internal controls would not alleviate the requirement for the Auditor to issue the internal control letter.

DEVELOPER'S REPORT

Mr. Nussbam addressed the Board to follow up on matters discussed at the last regular meeting. He presented information on the fencing that V&W is proposing to be installed at the STP, per the terms of the Development Agreement. No action was taken, pending further discussion of the matter at a future Board meeting.

INVESTMENT POLICY

The Board concurred to defer any action on the Investment Policy until the next Board meeting. Ms. Crawford noted she would forward a copy of the District's current Investment Policy to the directors for review.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Scott reviewed the TAC report for the period ending July 31, 2008, noting that 98% 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, which is about a 24% increase over last year. It was also noted that the District would begin the process of setting its 2008 tax rate.

Ms. Scott next reviewed the list of businesses subject to sales tax under the Strategic Partnership Agreement with the City of Houston ("SPA"), some on which the District is not collecting applicable sales tax because the City has not added them to the list. She reminded the Board that the SPA list is subject to ongoing review and revision and that she is in regular contact with the City tax office. She said any addition of a business that should have been subject to sales tax previously would not be retroactive.

Ms. Scott then requested the Board's approval of the proposed Addendum to the TAC contract to provide for reimbursement of mileage expense to Bob Leared Interests for attending Board meetings.

Following a full review of the TAC report, and based on a motion by Director Thomson which was seconded by Director Aldredge, the Board voted unanimously to

approve the TAC's Report, authorize payment of tax-related expenses and approve the Addendum as presented.

FINANCIAL ADVISOR'S REPORT AND DISCUSSION OF 2008 TAX RATE

The Board concurred to table this matter until the next regular Board meeting.

ORDER CALLING BOND ELECTION

Ms. Crawford reminded the Board that the District must call its November 4, 2008 bond election by adopting an Order Calling Bond Election. She also noted that upon authorization, Coats/Rose would prepare any necessary Voting Rights Act submission to the U.S. Department of Justice in connection with the election. She also noted that the Board is required to appoint an agent for the election to perform the duties set forth in Sections 31.122 and 31.123 of the Texas Election Code, as amended.

Following discussion and based on a motion by Director Kelley which was seconded by Director Aldredge, the Board voted unanimously to adopt the Order Calling Bond Election as presented, authorize Coats/Rose to prepare the Voting Rights Act submission, if necessary, and to appoint Coats/Rose as the District's agent for the election.

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. 13 in the amount of \$344,292.87 from Industrial Tx Corp. for the STP expansion. He next discussed the options for revising the future component locations at Water Supply Plant No. 1 and reviewed the

well reports. He said the sanitary sewer rehabilitation project would be advertised for bids next week, and bids received on September 4, 2008.

Mr. Adam then discussed the status of the request by Smith Commercial Contracting for reimbursement on the Rodgers Road water main extension project. In that regard, Ms. Crawford referred to the memorandum concerning feasibility prepared by the FA and distributed at the beginning of the meeting. She noted that the District's Financial Advisor has reviewed the feasibility of reimbursement and has determined that it would be feasible to reimburse the developer with surplus funds, upon approval of an application to the Texas Commission on Environmental Quality ("TCEQ"). Mr. Adam noted that the total reimbursement requested is \$101,464.35, and that back-up documentation has been received and reviewed by the Engineer. Based on a motion by Director Thomson which was seconded by Director Aldredge, the Board voted unanimously to authorize Coats/Rose to prepare an application to the TCEQ for use of surplus funds to reimburse the developer. Ms. Crawford noted that such application would be prepared for signature at the next meeting.

Mr. Adam then updated the Board on the appraisals of tracts of land being considered as the location for the proposed meeting facility. He said the scope of the appraisal proposal has been limited to the initial eight (8) tracts rather than all eleven (11) tracts, as originally proposed. Ms. Crawford said she would follow up with the appraiser about a revised proposal for the reduced scope of work. She estimated the original estimate of approximately \$17,000 would be reduced by about \$5,000.00 due to the decrease in scope.

With regard to the dry detention pond, Mr. Adam reviewed the monthly inspection report and requested approval of pay estimates 11 and 12 for maintenance work by Storm Water Solutions. He also provided information from the North Harris County Regional Water Authority (the "Authority") regarding chloramine disinfection, or "chloramination", a copy of which is included in the Engineer's report.

Lastly, Mr. Adam updated the Board on the Engineer's review of the county road log to determine if any streets within the District have not been accepted for maintenance. He said all sections, except Woodbend Pines, Vintage Lakes and Lake Road are listed on the road log.

Following a full review and discussion of engineering and construction matters, and based on a motion by Director Kelley which was seconded by Director Thomson, the Board voted unanimously to approve the Engineer's report, approve the request for payment in the amount of \$344,292.87 for the STP expansion, and to approve the pay requests from Storm Water Solutions.

OPERATOR'S REPORT

Mr. Love first addressed the Board concerning a customer's request for waiver of the garbage collection fee. The customer said that the house is unoccupied and that no garbage has been put out for pick up since January. After discussion, the Board concurred to deny the request for waiver of the garbage collection fee.

Mr. Love then provided information regarding well sampling for contaminants in the District's water supply. Director Howe requested that the wells be regularly tested for contaminants such as metals, pesticides, benzene and arsenic, among others. Following discussion and a motion by Director Aldredge which was seconded by

Director Kelley, the Board voted unanimously to authorize the Operator to conduct a full battery of tests to detect these and other contaminants.

He next 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.

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.

RESOLUTION ENDORSING CREATION OF MANAGEMENT DISTRICT

The Board concurred to table this matter until a future Board meeting.

COMMENTS FROM DIRECTORS

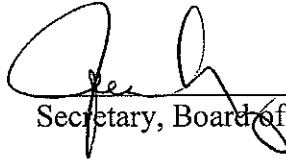
Director Howe requested that Coats/Rose prepare and send a letter to the judge in the case involving the Harris County Municipal Utility District No. 16 Board of Directors. He said he wants the District's position regarding appropriate punishment expressed to the Court.

SECURITY

Mr. Kelley said he had no new information regarding security.

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

PASSED, APPROVED AND ADOPTED this 23rd day of September, 2008.


Secretary, Board of Directors

(DISTRICT SEAL)