

NO. 2004-5  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
May 10, 2004

THE STATE OF TEXAS §  
COUNTY OF HARRIS §  
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in special session, open to the public, at the Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Monday, May 10, 2004, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President/Investment Officer
Brad Dill	Vice President
Robert J. Joyce	Secretary
Jim Marks	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Mr. Michael McCall of McCall Gibson & Company, PLLC, auditors for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Ed Shackelford, P.E. and Erich Peterson of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Robert Hudson of Texas Investment & Development Company, developer of the Bridgestone Lakes and Gosling Pines subdivisions within the District and developer of the Senterra Lakes and Villages of Senterra Lakes tracts proposed to be annexed into the District; Mr. Perry Senn and Ms. Shawn Lazenby of H.H. Estates, LP, developer of the Bella Sera, Villages of Bridgestone and Northcrest Village subdivisions within the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

REVIEW OF AUDIT REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2003

Mr. McCall then reviewed with the Board in detail the draft of the District's audit report for the fiscal year ending December 31, 2003, a copy of which is attached hereto. Mr. McCall encouraged the Board members and consultants to contact him with any questions or comments

on the audit report draft. Mr. McCall noted that the audit must be filed with the Texas Commission on Environmental Quality by May 14, 2004.

Director Joyce then entered the meeting at 7:05 p.m.

Upon motion by Director Dill, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the audit report for the fiscal year ended December 31, 2003 and to authorize the filing of the audit with the appropriate governmental agencies.

#### APPROVE POLICIES AND PROCEDURES FOR DEVELOPMENT

Ms. Bobbitt reported that the draft of the proposed Policies and Procedures for Development within the District had been revised and updated based on recent meetings with Mr. Conner, Mr. Shackelford and Mr. Peterson, a copy of which is attached hereto. Ms. Bobbitt noted that many of the revisions had been "housekeeping" items. Ms. Bobbitt then reviewed the revised draft with the Board. Upon motion by Director Joyce, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Policies and Procedures for Development, including, but not limited to, the following revisions:

- Pre-design meeting required with engineers following application for service from the District;
- Specify items that can be located in water, sanitary sewer and drainage easements granted to the District;
- Acceptance of a water system for operation and maintenance by the District is contingent upon favorable review and approval of construction plans;
- All invoices owed to the District and consultants must be paid by the Developer prior to reimbursement from the District;
- 10% of the value of a storm sewer project will be withheld from reimbursement until accepted by Harris County (the "County");
- District's Engineer is to bid all public utility projects that will be owned and operated by the District; and
- Advertising for bids can occur once the City of Houston (the "City") signs the plans; if done prior to City approval of plans, it is done at the Developer's risk to pay the cost of having to re-bid if changes to the plans are required.

REVIEW AND DISCUSS POTENTIAL ALLOCATION OF DRAINAGE FACILITY COSTS FOR UPPER SEALS GULLY WATERSHED AND PROPOSED AGREEMENT FOR FINANCING OF FACILITIES FOR NORTHCREST VILLAGE

Mr. Shackelford then reviewed a map of the District reflecting all of the existing and some of the proposed detention facilities in the District and discussed drainage flow from the Northcrest Village, Bella Sera, Gosling Pines and Spring Terrace subdivisions. Mr. Shackelford stated that the goal is to convert the pumped detention basins in these subdivisions to gravity flow detention basins. Mr. Shackelford stated that drainage in the area is to flow from the north of Gosling Road to FM 2920 and through the Northcrest Village project and is the responsibility of the developer to construct such drainage outfall from the County extension to the detention facility to serve Northcrest Village. Mr. Shackelford noted that it is possible that the detention facility for Northcrest Village could be combined to serve the Wal-Mart tract. Mr. Shackelford continued to explain that Mr. Senn's Bella Sera development is currently planned for pumped detention across Kuykendahl Road. Mr. Shackelford also noted that the Spring Terrace detention facility could conceivably be shared with Northcrest Village. Mr. Shackelford stated that Jones & Carter is currently working on conceptual costs thus far to convert from pumped detention in that area to gravity detention. Mr. Shackelford asked the Board if they would be interested in pursuing the idea of converting the pumped detention facilities to gravity flow. Directors Marks and Dill expressed a strong dislike for pumped detention facilities.

The Board then inquired regarding the estimated cost for Jones & Carter to complete the work on the Upper Seals Gully Watershed Master Drainage concept. Mr. Shackelford responded that the estimated cost is \$15,000. Upon motion by Director Dill, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to continue work on the Upper Seals Gully Watershed Master Drainage concept.

Concerning the proposed Agreement for Financing of Facilities to serve Northcrest Village, Mr. Shackelford explained that he was examining cost allocations for the detention and outfall drainage facilities to serve the northwest properties in the District. Mr. Shackelford went on to explain that Mr. Senn had asked Jones & Carter to analyze how other developers would be utilizing the drainage outfall facilities that Northcrest Village and Bella Sera would construct. Mr. Shackelford explained that all of the cost for the Northcrest Village detention basin should not be Mr. Senn's responsibility, since it is anticipated that other developments will utilize the facility. Mr. Senn noted that he believes that the original feasibility study for the Northcrest Village tract (formerly the Schoessow tract) calculated the drainage outfall costs all the way to Kuykendahl Road, but that other developers are now active in the area and should pay a pro rata share of such costs.

Upon motion by Director Dill, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the reallocation of costs for the drainage outfall facilities described above and to authorize the engineers and attorney to include the necessary and appropriate language regarding other participants in such facilities in the Agreement for Financing of Facilities for the Northcrest Village development and

in any subsequent Agreements for Financing of Facilities for developers utilizing the drainage outfall facilities.

Mr. Hudson then exited the meeting at 8:35 p.m.

The Board then recognized Mr. Senn, who made a presentation regarding the reallocation of assessed value for the 275-acre Schoessow tract (53 acres of which is now the Wal-Mart development). A copy of Mr. Senn's information regarding the development of Northcrest Village is attached hereto. Mr. Senn then reviewed and discussed the plans for the 205-acre Northcrest Village development. Mr. Senn stated that there would be between 690 and 715 residential lots, 30 acres of commercial development, two (2) acres for a community center and one (1) acre for a District water plant site. Mr. Senn added that the homes in the development would be a high end product averaging a sales price of \$135,000. Mr. Senn explained that he is asking the Board to assign some of the excess value from the Wal-Mart tract to his Northcrest Village project in order for his project to qualify for 100% reimbursement of eligible costs from the District.

Mr. Conner then reported that he, Mr. Shackelford, Mr. Peterson and Mr. Senn had met on May 7, 2004, to discuss the details of the Northcrest development. Mr. Conner recommended that the Board approve Mr. Senn's request and noted that it is his understanding that Wal-Mart will agree to the reallocation of the assessed value if the Board approves the reallocation. Ms. Bobbitt noted that the Agreement for Financing of Facilities will include the District's Reimbursement Calculation worksheet as an exhibit. Mr. Senn stated that he plans to develop Northcrest Village in seven (7) sections. Director Steffes asked what the value of the 1-acre water plant site would be. Mr. Shackelford stated that the value of the tract is estimated at \$30,000.

Director Dill then commented that if Mr. Schoessow had not waited so long to get his property annexed into the District, the District would have had an agreement with Mr. Senn. Director Dill expressed concern about the District participating in the cost of the drainage outfall ditch. Mr. Shackelford interjected that Mr. Senn has stated that he will have to have Sections 1, 2 and 3 on the ground before he can construct the outfall drainage ditch, and that the District may have to front end some of the cost of constructing such facility. Mr. Shackelford estimated that the outfall ditch would cost \$3.2 million to construct, and that only approximately 30% of the outfall ditch will benefit and serve Mr. Senn's development. Director Steffes stated that the Board should focus on the District having to participate in the cost of the ditch and not the reallocation of assessed valuation. Director Marks stated that he wants to see the cost estimates for the outfall ditch project from Jones & Carter at the Board's June 15<sup>th</sup> meeting. Mr. Senn asked the Board and the engineers to carefully review the costs allocated to the 205 acres, and stated that he does not think some of the costs are allocated fairly, including the allocation of the entire outfall ditch cost to his tract.

PARTIAL ASSIGNMENT OF RIGHTS UNDER ANNEXATION AND SERVICE AGREEMENT AND AGREEMENT FOR FINANCING OF FACILITIES – DAVID KLEIN, TRUSTEE

Ms. Bobbitt then presented for the Board's approval and acknowledgement a Partial Assignment of Rights Under Annexation and Service Agreement and Under Agreement for Financing of Facilities ("Partial Assignment"), both dated December 10, 2001, from Mr. David Klein, Trustee to A-K-S 35 2920-Southeast, L.P. regarding 12.5171 acres out of the 178.5 acres annexed into the District in 2001. Upon motion by Director Marks, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Partial Assignment and authorize execution of the Acknowledgement, a copy of which is attached hereto.

PARTIAL ASSIGNMENT OF RIGHTS AND ASSUMPTION AGREEMENT – PROGUARD MINI STORAGE, LTD.

Ms. Bobbitt then presented a Partial Assignment of Rights and Assumption Agreement regarding the Annexation and Service Agreement, dated October 14, 2002, between the District and Proguard Mini Storage, Ltd. for 165.339 acres, to Robert R. O'Neal, conveying 9.763 acres. Upon motion by Director Dill, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Partial Assignment and authorize execution of the Acknowledgement, a copy of which is attached hereto.

Director Marks then questioned the purpose of the assignments. Ms. Bobbitt briefly explained that an assignment is used when a developer wants to assign his right to reimbursement (or a portion thereof) from the District to another party. Ms. Bobbitt added that under the provisions of the Agreements for Financing of Facilities, the Board must consent to and approve all assignments.

ATTORNEY'S REPORT

Ms. Bobbitt noted that the canvassing of the returns and declaring of results in connection with the May 15, 2004 director election will be done at a special meeting scheduled for May 25, 2004, and that the newly elected directors will be installed at the Board's special meeting scheduled for Tuesday, June 8, 2004.

Ms. Bobbitt then noted that Mr. Short is proposing to sell the District's Series 2004 Bonds at the June 8<sup>th</sup> meeting.

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

PASSED, APPROVED AND ADOPTED this 21<sup>st</sup> day of December, 2004.

/s/Ronald W. Schkade

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Secretary, Board of Directors

(DISTRICT SEAL)

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