

2006-8
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
June 6, 2006

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 Tuesday, June 6, 2006, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Ronald W. Schkade	Secretary
Skip Warren	Treasurer
Linda Theiss	Director

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District;; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), attorneys for the District.

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.

PROPOSALS FOR CLEANING OUT UPPER BONDS GULLY

Mr. Conner first addressed the Board regarding the need to clean out a portion of Upper Bonds Gully (the "Upper Bonds"). Mr. Conner stated that since work on the proposed improvements to Upper Bonds is at least a year away, he had investigated the cost and feasibility of cleaning out Upper Bonds in the interim. Mr. Conner reported that he had spoken to several contractors regarding the matter, and that the consensus was that it would be difficult to get the necessary equipment into the area. Mr. Conner went on to explain that the clean-out work would need to be done by hand and likely cost around \$20,000. Mr. Conner recommended that the Board not proceed with the clean-out work since there have been no complaints and expressed concern about the clean-out work resulting in too much foliage being removed. The Board concurred with Mr. Conner's recommendation and decided not to pursue the clean-out of Upper Bonds.

REVIEW AND DISCUSSION OF FANTA ANNEXATION AGREEMENT

Mr. Conner first explained that the District had entered into an Annexation Agreement (the "Agreement") for the 79-acre Fanta tract (the "Fanta Tract") in 1983, a copy of which is attached hereto and that, under the terms of the Agreement, the District has certain obligations to provide adequate drainage for the Fanta Tract at such time the tract is developed. Mr. Conner added that before making a recommendation to the Board concerning the matter, he had asked Jones & Carter and JRPB to review the matter and determine the drainage requirements that were in effect at the time the Agreement was executed in order to determine the District's obligations. Ms. Bobbitt then explained that the Agreement mentions the District's provision of drainage facilities for the Fanta Tract, and that the question is focused on whether the provision of detention capacity, as required under the current Harris County (the "County") drainage rules and regulations, is included as part of the District's drainage obligations for the Fanta Tract. Ms. Bobbitt noted that the District also has other obligations in connection with the future development of the Fanta Tract under the terms of the Agreement.

Mr. Shackelford then reviewed with the Board the results of his research concerning the drainage requirements that existed at the time the Agreement was executed, a copy of which is attached hereto. Mr. Shackelford explained that at the time the Agreement was signed, development of a tract this size would have required detention capacity. Mr. Shackelford reminded the Board that the developer of Bridgestone West, Sections 1 and 2 was required to design and construct Ditches "A", "B" and "C" to provide adequate detention capacity for such development. Mr. Shackelford next explained that under the provisions of the Agreement, the District received easements from Fanta for Ditch "C" and, in exchange for such easements, the District agreed to provide the drainage/detention capacity necessary for the future development of the Fanta Tract. Mr. Shackelford went on to explain that one of the problems is that the Agreement contemplates that adequate detention and drainage capacity for the Fanta Tract would be provided by the District with property located outside the Fanta Tract. Mr. Shackelford then added that using the current design criteria, the Fanta Tract would require approximately six (6) to eight (8) acres for the necessary detention facilities. Mr. Shackelford stated that the original plan was for the Fanta Tract drainage/detention to be handled through Ditch "C," but that since the time the Agreement was signed, the design criteria for detention capacity has more than doubled, effectively meaning that the original design specifications for Ditch "C" cannot accommodate the amount of detention capacity that is now required for the Fanta Tract. Additionally, Mr. Shackelford noted that there is not enough available acreage at the District's Sewage Treatment Plant site to provide detention capacity for the Fanta Tract, as was initially discussed with Mr. Conner.

Director Marks then entered the meeting at 7:22 pm.

Mr. Shackelford went on to explain that the best solution for providing the necessary capacity for the Fanta Tract is to have on-site detention. Ms. Bobbitt then stated that the Agreement requires that, in the event adequate drainage cannot be provided by acquiring land located outside the Fanta Tract, the District is required to purchase the needed land from the Fanta Tract owner for the fair market value for such land at the time. Mr. Shackelford added that on-site detention may require some changes to the land plan being proposed by Mr. Hudson for the tract, including reducing the size of the proposed western detention pond and having the

eastern detention pond merge with Ditch "C". Mr. Shackelford noted that a full feasibility study for the project had not yet been completed and that these issues would be identified and discussed in the feasibility study.

Mr. Shackelford then reviewed with the Board the proposed land plan for the Fanta Tract previously provided by Mr. Hudson, a copy of which is attached hereto. Mr. Shackelford explained that Mr. Hudson is proposing a private/gated community with public water and sanitary sewer facilities, but a private storm sewer system. Mr. Shackelford added that under the District's Policies and Procedures for the Development, the development would be a semi-private development and, therefore, the storm sewer system and detention facilities would not be subject to reimbursement from the District. Ms. Bobbitt noted that the Agreement provides that water, sewer and drainage facility costs would be reimbursable to the maximum extent allowed under the current rules of the Texas Commission on Environmental Quality.

Mr. Shackelford then discussed with the Board the issues and concerns regarding the maintenance of the proposed detention ponds serving the Fanta Tract. Mr. Shackelford stated that he would propose that the homeowners' association for the proposed development pay for the detention pond maintenance costs and would recommend that the District enter into a Detention Pond Maintenance Agreement with the homeowners' association to reimburse the District for the costs incurred for the detention pond maintenance costs. Mr. Shackelford added that all of these issues, including the costs to construct and maintain the detention ponds, will be addressed in the feasibility study for the Fanta Tract that will be presented at the District's July meeting.

Director Steffes then asked if the District will need to acquire additional acreage to provide the necessary drainage detention pond capacity. Mr. Shackelford responded that he is not yet certain what acreage will be required, and that such issue will be determined based on whether the proposed detention pond facilities will qualify for acceptance by the County for maintenance. Director Steffes then pointed out that if the detention facilities are not constructed to satisfy County criteria, the detention pond could have smaller maintenance berms and, therefore, utilize more of the land for detention purposes. Mr. Shackelford then explained that the amount of acreage provided for drainage/detention in the Agreement was inadequate based upon current design criteria, but that there is not a need for a significant amount of additional land. Mr. Shackelford added that since the detention pond is located in close proximity to Ditch "C", there is a possibility that it would be accepted by the County for maintenance.

Ms. Bobbitt then briefly discussed with the Board her review and research on the matter. Ms. Bobbitt stated that she and other attorneys at her firm had reviewed the detention requirements from the time period, as provided by Mr. Shackelford, had spoken to Mr. Tim Green, the attorney for the District at the time the Agreement was executed, and reviewed applicable case law regarding contract interpretation and had concluded that the District is responsible for providing drainage/detention capacity for the Fanta Tract under the provisions of the Agreement.

Director Marks then asked what the developer is seeking from the District and if the Agreement is enforceable by the current developer, since the current developer did not sign the Agreement and the Agreement does not address the assignability of the Agreement to another

entity. Mr. Kasner then stated that all contracts are assignable, unless there is a specific provision in the contract prohibiting or limiting the assignment.

Mr. Conner then summarized that the issue at this point is whether to proceed with a feasibility study on the Fanta Tract. Director Marks stated that the District should proceed with a feasibility study, but that he would like to see the feasibility analysis include both a private and public storm sewer system. Director Marks added that he would also like the feasibility study to reflect a sliding scale of the feasibility project with different percentages of reimbursement being shown. Mr. Peterson responded that he will prepare two (2) feasibility studies, one (1) with a public storm sewer system and one (1) with private storm sewer system, and will let Mr. Hudson know that the Board has acknowledged the District's obligation to provide drainage/detention capacity under the provisions of the Agreement and that Jones & Carter is working on a feasibility study for the Fanta Tract, which will be ready for review and discussion at the Board's July regular meeting.

MISCELLANEOUS MATTERS

Director Marks then provided the Board with pictures of water backing up recently in the Rhodes Road and FM 2920 roadside ditches. Director Marks noted that although the roadside ditches were full, the Rhodes Landing detention pond was completely dry. Mr. Peterson stated that the Rhodes Landing detention was designed in accordance with County criteria and that flow into the roadside ditches is limited. Director Marks stated that he believes there is a problem with the Rhodes Landing detention pond that needs to be investigated. Director Marks added that it appears that the detention pond pumps are always running and that no water is retained in the detention pond. Mr. Shackelford explained that the Rhodes Landing detention pond is designed to pump water out at a rate that does not exceed what the drainage flow was prior to development, as required by County rules and regulations and limitations imposed by the Texas Department of Transportation.

There being no further business to come before the Board, the meeting was adjourned at 8:30 p.m.

PASSED, APPROVED AND ADOPTED this 15th day of August, 2006.

/s/Linda D. Theiss

Secretary, Board of Directors

(DISTRICT SEAL)