

2006-11
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
July 18, 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 regular 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, July 18, 2006, at 6:00 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
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were Mr. Jimmie Williams, and Ms. Aida Bullock, residents of the District; Mr. Gene Conner, General Manager of the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Joe Almaguer of Aqua Services, LP, operators for the District; Mr. Bob Hudson of Texas Investment & Development Company and Mr. David Glunt of Glunt Investment & Development Company, developers of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, Villages of Senterra Lakes and Augusta Village subdivisions within the District and the proposed Fanta tract development; Mr. Tim Early, Vice President of Land Development for K Hovnanian of Houston, L.P., dba Parkside Homes ("Parkside"), developer of a 93-acre tract of land located within the boundaries of Meadowhill Regional Municipal Utility District and outside the boundaries of the District; Lieutenant David Blankenship of the Harris County Precinct 4 Constable's office; Mr. Eric Haaland of Riverway Properties; 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.

PUBLIC COMMENT

The Board first recognized Mr. Williams, a resident at 22019 Pine Court in Bridgestone Lakes, who complained that he is worried with the time that water is remaining in the streets after heavy rains. Mr. Williams reported that after a recent thunderstorm the water level in the streets had gotten extremely high and took several hours to recede after the end of the storm. Mr. Williams stated that he is concerned that there may be a blockage in the storm sewer system that serves Bridgestone Lakes.

Mr. Hudson then responded that Bridgestone Lakes is served by a 54-inch outfall pipe, which releases water from the detention ponds and is adequately sized for the neighborhood.

Mr. Williams then exited the meeting at 6:15 p.m.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member or a member of the public requests that an item be moved to the regular portion of the agenda. Ms. Bobbitt then requested that the minutes of the regular meeting of June 20, 2006 and special meetings of April 11, 2006, May 2, 2006, and June 6, 2006 be deferred. Mr. Peterson reported that he was presenting Pay Estimate No. 2 in the amount of \$169,310.16 in connection with the Spring Terrace, Section 4 water, sewer, and drainage facilities contract. Mr. Peterson also asked the Board to consider authorizing the advertising for bids for the storm sewer facilities for Northcrest Village. Mr. Peterson explained that there is a short timeframe where the District can work around the Kinder Morgan pipeline while it is being repaired, and that Jones & Carter was not informed of this scheduling issue prior to posting notice of tonight's meeting.

Upon motion by Director Theiss, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of May 16, 2006, as written; 2) authorize design of the following projects: a) water line extension along Kuykendahl Road from Rhodes Road to FM 2920; 3) authorize the advertising for bids, subject to Engineer's receipt, review and approval of projects plans and specifications for a) six-inch (6") force main extension along Kuykendahl Road to serve Villages of Senterra Lakes and Senterra Lakes; and b) storm sewer system for Northcrest Village; 4) review bid tabulations and award contract for a) Spring Terrace, Section 6 water, sewer, and drainage facilities; and b) Children's Courtyard off-site water, sewer, and drainage extensions; 5) approve the following pay estimate: a) Pay Estimate No. 2 for Spring Terrace, Section 4 water, sewer, and drainage facilities in the amount of \$169,310.16; 6) ratify approval of Amendment and Joinder of Letter of Understanding by and among the District, Sowell Interest – Meadowhill, L.P., Bridgestone Lakes Development Company, Inc., and K Hovnanian of Houston, L.P., dba Parkside Homes; and 7) authorize the execution of easements necessary to serve various District developments.

REGULAR AGENDA

AUTHORIZE FEASIBILITY STUDY FOR SERVICE TO 10-ACRE TRACT LOCATED WITHIN THE DISTRICT.

Mr. Peterson explained that this tract was formally known as the McDermott tract located at the southwest corner of Spring Cypress Road and Kuykendahl Road. Mr. Peterson stated that the current owner, Mr. Beau Procter, is proposing to develop medical office buildings on the tract. Mr. Peterson stated that once the District receives the \$3,000.00 deposit check, Jones & Carter will proceed with preparation of the feasibility study to be presented at the Board's regular August meeting. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to prepare a service feasibility study for the 10-acre Procter tract located on the southwest corner of Spring Cypress Road and Kuykendahl Road.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of June, a copy of which is attached hereto. Ms. Hall reported that 95.5% of the District's 2005 taxes have been collected as of today's date. Ms. Hall next reported that all of the 2005 delinquent tax accounts as of July 1, 2006, had been assessed an additional 20% collection fee and handed over to the District's delinquent tax attorney for collection. Ms. Hall added that the Board should start receiving updates on the 2005 delinquent tax collections at the August meeting. Ms. Hall then noted that the District still had approximately \$4,200,000 of uncertified value for 2005. Ms. Hall explained that this number reflects property owners who have protested the value of their property.

Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that the properties listed as item nos. 1 and 2 in Section I of the report are scheduled to be sold for taxes on August 1, 2006. Ms. Hall then reported that she thinks that she has a new address for the Saragosa account, and that she will forward such information to the delinquent tax attorney. With respect to the Salazar account, Ms. Hall informed the Board that the mortgage company had sold the property, and that the District will collect the delinquent taxes from the new owner at closing. Ms. Hall then added that the Mayfields had agreed to a six (6) month installment payment plan for their delinquent 2004 and 2005 taxes, with the first payment due July 31, 2006.

Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Delinquent Tax Attorney's Report.

GENERAL MANAGER'S REPORT

Mr. Conner next presented the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first updated the Board on his review of the Pineville flooding matter that was brought to the Board's attention last month. Mr. Conner reported that he had investigated the matter, and found that the storm sewer pipes appear to be undersized using the current design criteria, but met the existing design criteria at the time they were installed. Mr. Conner stated that it is his understanding that Harris County (the "County") will not come in and fix the problem unless the homes along Pineville are consistently flooding.

Director Warren then stated that he had driven on Pineville after a recent heavy rain, and that he was amazed at the amount of street flooding in the area. Director Warren then reiterated that during all his time on the Board and his involvement with the Bridgestone Homeowners Association, he still does not recall this issue ever coming up. Director Warren added that it appears that larger storm sewer line required under current design criteria is needed.

Mr. Shackelford then added that the County had invested a lot of time and money investigating this matter in 1992, and that he is not aware of houses flooding after 1992. Mr. Shackelford stated that much of the problem was alleviated when Bonds Gully was improved. Mr. Conner then suggested that the Board should wait until the improvements to Upper Bonds Gully are complete and Mr. Hudson completes the clean-out of Upper Bonds Gully before reviewing the matter any further. Director Warren then asked that there be an ongoing agenda item on the matter in order for the Board to monitor the issue.

Director Steffes then stated that flooding issues are really a County matter, and that the District has never gotten involved in such issues. Director Steffes reminded the Board that a former Board member's car was flooded several times from street flooding, but that the District not previously expended District funds to address flooding problems. Mr. Conner then reiterated that the situation should be dramatically improved in a year to year-and-a-half once the improvements to Upper Bonds Gully are complete. Director Warren next asked if the storm sewer line had been checked for a blockage. Mr. Conner responded that the line had been scoped and no blockage was found.

Mr. Conner then introduced Ms. Bullock of 19223 Holly Shade Court, a resident of the Stone Forest subdivision, who expressed concern about recent flooding in her neighborhood. Ms. Bullock stated that she believes the new flooding problem is caused by the construction to the east of her property, and that she does not want to wait and see if the problem continues in the future. Director Theiss then stated that she lives in Stone Forest and has seen the problem firsthand. Director Theiss added that she had talked with Messrs. Shackelford and Peterson concerning the matter, and that a letter was sent to Ryland Homes to request they repair the berm adjacent to the development and that such work had been performed. Director Theiss added that the work was very effective and had reduced the problem.

Director Steffes then asked Mr. Conner to investigate the matter and report back to the Board at the August meeting. Mr. Conner stated he will look into the matter and notify the

County of the problem. Mr. Haaland then stated that he suspects the problem is from sheet flow run-off from adjacent construction work.

Mr. Conner went on to report that he is working with the pest control company to evaluate the best method to address the mosquitoes breeding in the District's detention ponds and drainage ditches. Upon motion by Director Theiss, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's report.

DIRECTOR'S REPORT

Director Theiss then distributed copies of her Director's Report, a copy of which is attached hereto. Director Theiss reported that all of the District's facilities were in good shape and noted only a few minor items that need attention.

Ms. Hall then exited the meeting at 6:54 p.m.

Director Theiss noted that at the District's Sewage Treatment Plant, the left clarifier unit had been off-line for repair at the time of her visit. Mr. Conner noted that the clarifier had been having problems so was taken off-line for repairs, and that the problem has now been resolved.

Director Marks then entered the meeting at 6:56 p.m.

Director Theiss also pointed out that at Water Plant No. 3, some of the paint on the ground storage tank was blistering. Mr. Peterson stated that Jones & Carter is aware of the problem, and that it is on the punch list for repair. Director Warren then requested that a copy of the punch list be provided to him.

Director Theiss also explained that she had observed significant erosion and silting at the Gosling Pines Detention Pond. Mr. Shackelford stated that the Gosling Pines detention pond is privately maintained, but that he would contact the appropriate parties regarding such matter. Mr. Hudson added that the silting would likely continue until the completion of Gosling Pines, Section 2 due to the construction activity in the area.

Director Theiss then pointed out that the Spring Terrace detention pond was in need of mowing. Mr. Shackelford explained that the detention pond has not yet been accepted by the District for maintenance, but that he could contact the appropriate parties regarding such matter.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

GRAND PARKWAY ALIGNMENT MATTER

Mr. Conner then reported that due to familial obligations, he was unable to attend the public hearings on the Grand Parkway alignment that were held on July 11th and 12th. Director Warren stated that he attended the Wednesday, July 12, 2006 hearing and spoke about his concerns with the current proposed alignment. Director Warren reported that Mr. Tom Ricker of

the Klein Independent School District ("KISD") made a statement regarding the negative impact the proposed alignment will have on the proposed site of a new KISD intermediate school and elementary school. Director Warren reminded the Board that the impact to KISD also impacts the District, because the District's Water Plant No. 4 is to be located on a portion of the same 105-acre tract as the KISD schools. Director Warren next stated that the Draft Environmental Impact Study (the "DEIS") for this portion of the Grand Parkway is not up-to-date and does not reflect all of the existing and current development activity in the area.

Director Warren then reported that no one in attendance at the July 12th hearing was in favor of the Grand Parkway. Mr. Glunt then added that he attended the presentation on Tuesday, July 11, 2006, and that the same issues were discussed. Director Steffes then reminded the Board that previously, the District had prepared a letter to the Grand Parkway Association, and that he thinks that the Board's appropriate action is to investigate how the alignment may impact the District and submit an updated letter explaining the District's concerns with the proposed alignment. Mr. Conner stated that he has asked Mr. Shackelford and Mr. Peterson to review and investigate the impact of the current alignment to the District's plans for Water Plant No. 4. Director Warren then added that the District should also be concerned about drainage impacts from the Grand Parkway. Mr. Hudson stated that there is also potential for impact to the assessed value of property located adjacent to the proposed Grand Parkway alignment that the District should be concerned about. Mr. Hudson went on to explain that everyone is now more educated about the proposed alignment and that since it appears there will not be a feeder road corridor along the Grand Parkway, the value of the land located adjacent to the alignment may drop.

Director Warren then stated that the new deadline to submit comments on the proposed alignment is September 7, 2006, and that he is encouraging the District to get involved in the issue. Director Marks then asked if there is a budget established for this matter and if there needs to be an authorization for a specific amount of District funds to address this issue. Ms. Bobbitt responded that she does not recall any item in the budget concerning this matter, but that the Board could authorize the consultants to review the impact to the District and set a limit on the amount expended, if they so desire.

Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the District's consultants to investigate the impact of the Grand Parkway alignment to the District, including a review of: 1) impact to the proposed location of Water Plant No. 4; 2) impact to the assessed valuation of property located within and adjacent to the proposed alignment; 3) impact to the access to Gosling Road from the Grand Parkway; 4) impact of drainage through the District's stormwater sewer system; and 5) any other impact that affects the District, and to update the District's comment letter prior to the deadline for submission of written comments.

ASSOCIATION OF WATER BOARD DIRECTORS – TEXAS (THE "AWBD") SUMMER CONFERENCE

Director Schkade stated that he was very pleased with the seminars from the summer conference and felt that the seminars were better than those offered at the Mid Winter Conference. Director Schkade added that he had attended the media relations seminar and found

it to be extremely practical, and that he is recommending that the District implement some of the ideas presented in such seminar, such as having a designated media spokesperson and a media kit. Director Schkade also reported that he had attended the Dirt Doctor presentation, which was also very interesting, and would like some of the ideas discussed in such seminar included on the District's website.

Director Warren reported that he had attended the seminar explaining the process for setting the District's tax rate and that it was also very informative. Director Warren then complained that the AWBD-provided lunches were terrible and overpriced. Director Warren added that the shuttle buses took too long to go to the hotels.

BOOKKEEPER'S REPORT

Ms. Jarmon next reviewed the Bookkeeper's Report with the Board, including the revenues and expenses of the District, the budget comparison, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations, feasibility studies and/or easement acquisitions.

Ms. Jarmon then reported that the District had received \$75,000 in tap revenue during the prior month. Ms. Jarmon noted that since January 1st, the District has added 469 connections.

Director Marks then asked why a Reliant Energy ("Reliant") bill had been paid by MCI. Ms. Jarmon stated that the bill was associated with the Rhodes Landing detention pond pump station. Ms. Jarmon explained that the Rhodes Landing Homeowners' Association (the "HOA") had an account with Reliant for the Rhodes Landing detention pond pump station. Ms. Jarmon stated that even though the District took over the pond for maintenance, the power service account with Reliant had not yet transferred from the HOA to the District. Ms. Jarmon went on to explain that the HOA had terminated the account with Reliant without notifying her, and that the only way Reliant would restore power to the pump station was for a credit card to be used to create the new account. Ms. Jarmon added that the matter had now been resolved and that the pump station account is now in the District's name.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

UPDATE ON DISTRICT'S WEBSITE IMPROVEMENTS

Director Theiss informed the Board that Mr. Thomas had recently met with Ms. Payne on the District's website improvement project, and that they are working to develop a user-friendly way for people to learn about the neighborhood through the District's website.

ENGINEER'S REPORT

The Board next recognized Mr. Peterson, who reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Peterson first stated that he would review and discuss the Fanta Tract feasibility study later in the meeting. Mr. Peterson then discussed with the Board the looping of the water line system along Kuykendahl Road from Rhodes Road to FM 2920. Mr. Peterson asked for authorization to proceed with designing this District project. Mr. Peterson added that the reason for adding the loop system is to build further redundancy into the District's existing water distribution system. Director Marks then asked if this project is included in Bond Application Report No. 9 ("BAR 9") and in the District's Master Plan. Mr. Peterson responded that the project is not in BAR 9, but could be included, and that the project is included in the District's Master Plan.

Mr. Peterson then discussed the Ditch "A" and Ditch "B" improvement project and explained that the design plans are close to being submitted to the Harris County Flood Control District ("HCFCD") for review and approval. Mr. Peterson also reported that he has received a proposed form of a Turf Establishment Agreement from the HCFCD that would be used to prepare Ditch "A" and Ditch "B" for acceptance by the HCFCD. Ms. Bobbitt stated that she had received the Turf Establishment Agreement from Jones & Carter and is in the process of reviewing such document.

Mr. Peterson next discussed the clean-out of Upper Bonds Gully and reiterated that Mr. Hudson will soon be going forward with such work. Mr. Hudson stated that he is waiting on an estimate from his contractor for the cost to clean-out the ditch, and that he will coordinate such work with the driving range operator. Director Marks then asked when the driving range hitting direction will be changed. Mr. Conner responded that the owner of the driving range property has now decided not to reconfigure the driving range, and that the Upper and Lower Bonds Gully projects will be coordinated to minimize any impact to the driving range.

Director Steffes then asked if there was anything the District could do to minimize the accumulation of silt in the District's drainage ditches. Director Steffes added that after any rain, the ditches are always muddy.

Mr. Peterson then introduced Mr. Haaland, representing the Spring Cypress Presbyterian Church (the "Church"), who is requesting a feasibility study for out-of-District service to their property. Mr. Haaland explained that the Church owns approximately 32 acres, eight (8) acres of which are currently developed as the Church and a school. Mr. Haaland added that the Church is looking to expand and is at the size limit for an effective aerobic septic system and is interested in obtaining utility services from the District. Mr. Peterson noted that the Church has provided a \$3,000.00 feasibility deposit check, which he has given to Ms. Jarmon.

OPERATOR'S REPORT

Mr. Almaguer next reviewed the Operator's Report for the month of June with the Board, including the termination list, copies of which are attached hereto. Mr. Almaguer reported that the District's four (4) month water accountability ratio was 90.7%, and that there were 11 sludge hauls during the month. Mr. Almaguer added that there are currently 4,025 connections in the District.

Ms. Bobbitt then presented to the Board a letter from the North Harris County Regional Water Authority (the "NHCRWA") explaining the increase in the pumpage fee effective in October 2006, a copy of which is attached hereto. Director Warren stated that he feels the NHCRWA pumpage fees are a tax and that the pumpage fees will only continue to increase. Ms. Bobbitt explained that the District will receive depreciated asset credits for its existing water supply and distribution facilities in accordance with the NHCRWA's Pricing Policy, and that the ultimate pumpage fee charged by the NHCRWA will take the credits into account.

Mr. Almaguer then distributed to the Board a copy of the District's emergency preparation manual, a copy of which is attached hereto. Mr. Almaguer asked that the Board and the District's consultants review the policy and provide him with any comments and/or concerns.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and to authorize the termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the Interlocal Agreement with the HCFCFCD is being presented to the Board for execution tonight, and that she will forward the executed copies to the HCFCFCD for their execution.

CONSTABLE'S REPORT

Officer Blankenship then reviewed with the Board the Constable's report for the month of June, a copy of which is attached hereto. Officer Blankenship explained that there had been some re-arrangement of assignments because of some officers on medical leave.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board the Board voted unanimously to accept the Constable's report.

Ms. Bullock then exited the meeting at 8:30 p.m.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:30 p.m. and announced that the Board would convene in executive session pursuant to Sections 551.071 and 551.072, Texas Government Code, as amended, to discuss matters related to the attorney/client privilege and to discuss matters related to real property. Everyone then exited the meeting with the exception of the Board, Mr. Shackelford, Ms. Ecklund, Mr. Peterson, Mr. Conner, Mr. Kasner and Ms. Bobbitt.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:40 p.m. Mr. Hudson, Mr. Glunt and Ms. Jarmon then re-entered the meeting.

The following action was then taken by the Board. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Ms. Bobbitt to pursue obtaining the necessary easements from Mr. Patel and authorize Ms. Bobbitt to negotiate the amount to be paid for the easements within a specified range.

FANTA FEASIBILITY STUDY

Mr. Peterson then presented to the Board a feasibility study for the Fanta tract (the "Property"), a copy of which is attached hereto. Mr. Peterson explained that the feasibility does not discuss reimbursement for the storm sewer system, since the proposed development is to be gated and, therefore, would have a private storm sewer system and not eligible for reimbursement under the District's Policies and Procedures for Development. Mr. Peterson stated that there were two (2) options presented in the feasibility, including: 1) reflecting 135 lots and off-site detention capacity; and 2) reflecting 106 lots with on-site detention. Mr. Peterson then concluded that both proposals reflect that the proposed development is financially feasible and would qualify for 100% reimbursement of eligible expenses using the estimated values provided by the developer.

Mr. Glunt then stated that the only acceptable option would be the option that includes 135 lots with off-site detention. Mr. Peterson then reminded the Board that under the Fanta Annexation Agreement, the District is obligated to provide detention capacity for the Property. Mr. Peterson then stated that Mr. Glunt has suggested an 8.5-acre tract located in the area that would be suitable for the off-site detention, which is a portion of the 20-acre tract that was previously submitted to the Board as a feasibility request for the proposed Augusta Village development.

Mr. Glunt then asked if the water line extension proposed to run along Spring-Cypress Road could be run through the development in order to save on the development costs. Mr. Peterson responded that as long as the line is sized as a 12-inch trunkline, he is fine with the water line running through the development. Mr. Peterson then asked how many commercial pad sites are proposed to be included in the development. Mr. Hudson responded that currently, there are two (2) commercial pad sites proposed, and that he does not envision any additional commercial tracts being associated with the development.

Mr. Glunt then asked why there was a \$422,000 cost associated with the maintenance of the detention pond for the proposed development. Mr. Shackelford explained that the Fanta Annexation Agreement does not reflect that the District is to be responsible for maintenance of the detention pond and, therefore, a calculation has been made to determine the cost to maintain the detention pond over a 20-year period and deducted this amount from the assessed valuation prior to determining the reimbursement amount. Mr. Shackelford noted that this is the District's standard procedure for addressing detention pond maintenance. Mr. Shackelford further explained that since there is so much excess assessed valuation associated with the proposed development, the Property still qualifies for 100% reimbursement of all eligible expenses. Mr. Glunt then stated that such calculation is acceptable, but it was not clear from the feasibility study that the detention maintenance pond cost was a deduction from the assessed valuation.

Director Marks then asked if Mr. Glunt and Mr. Hudson currently control or own the land proposed for the off-site detention. Mr. Glunt responded that he does not own the property, but that he knows it is available and will secure the land if the District decides to proceed with providing off-site detention. Mr. Shackelford then asked about the timing of the proposed development. Mr. Glunt responded that they expect to be under construction by March or April 2007. Mr. Shackelford then stated that the District will have to move forward with the land acquisition and get the detention pond designed and plans approved prior to construction of homes. Mr. Peterson then asked what the trigger would be to proceed with purchasing the detention pond tract. Ms. Bobbitt responded that the trigger would be getting the Property under contract.

Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the acquisition of the detention pond land, subject to the purchase of the Property by Mr. Hudson to authorize the design of the off-site detention ponds, accept the feasibility study, including the option reflecting 135 lots with off-site detention, and no reimbursement for a private storm sewer system, and the homeowners association being responsible for the maintenance of the private storm sewer system and streets.

MISCELLANEOUS MATTERS

Ms. Bobbitt reminded the Board that a special meeting is scheduled for Tuesday, August 1, 2006, at 7:00 p.m. There being no further business to come before the Board, the meeting was adjourned at 9:55 p.m.

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

/s/Linda D. Theiss

Secretary, Board of Directors

(DISTRICT SEAL)