

2006-12
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
August 1, 2006

THE STATE OF TEXAS
COUNTY OF HARRIS
BRIDGESTONE MUNICIPAL UTILITY DISTRICT

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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, August 1, 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, except Director Schkade, 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. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. L. Carlin Short, financial advisor for the District; and Ms. Robin S. Bobbitt and Mr. Lewis S. Kasner, of Johnson Radcliffe Petrov & Bobbitt PLLC, 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.

REQUEST FOR FEASIBILITY STUDY FOR SERVICE TO 7.5-ACRE PRISKE-JONES TRACT

Mr. Peterson reported that he had been contacted by Mr. Brad Jones of Priske-Jones concerning service to a 7.5-acre tract, inside the boundaries of the District, located on the southeast corner of Spring Stuebner and Kuykendahl Road and adjacent to the Wal-Mart tract. Mr. Peterson explained that Mr. Jones has a short amount of time in which to complete the due diligence on the tract and has asked if Jones & Carter could begin work on the feasibility study prior to the District's regular August 15th meeting. Mr. Peterson noted that he had received a faxed copy of the \$3,000.00 deposit check and application from Mr. Jones earlier today, and that the originals of such items are to be hand delivered tomorrow. Mr. Peterson stated that he would try to have the feasibility study prepared for the Board's review at the August 15th meeting.

MISCELLANEOUS MATTERS

Mr. Conner then reported that he had received two (2) proposals for the replacement of the air conditioning and heating units in the Bridgestone Community Center, copies of which are attached hereto. Mr. Conner recommended that the Board accept the proposal submitted by Air Plus Air Conditioning and Heating in the amount of \$4,450.00 for a five (5) ton unit. The Board concurred with Mr. Conner's recommendation and authorized him to proceed with having the air conditioning and heating units replaced.

STATUS OF GRAND PARKWAY ALIGNMENT

Mr. Shackelford then reviewed the maps of the proposed alignment of Segment F-2 of the Grand Parkway, a copy of which is attached hereto. Mr. Shackelford reported that Jones & Carter has downloaded, printed and reviewed all of the available reports and materials concerning the proposed Grand Parkway from the Grand Parkway website. Mr. Shackelford noted that the double red line marked as "X" on the second map represents the most recent alignment for Segment F-2. Mr. Shackelford stated that this proposed alignment may impact the Klein Independent School District intermediate school property, dips into Spring Terrace, Section 5 and splits the property owned by Mr. Amber located on Kuykendahl Road and Spring Stuebner Road. Mr. Shackelford stated that the proposed alignment does not appear to impact the District's site for Water Plant No. 4. Mr. Shackelford noted that there will likely be some minor drainage impact to the District's existing facilities (*i.e.*, the roadside ditches along Kuykendahl Road) as a result of the alignment. Mr. Shackelford explained that approximately one (1) acre will be taken from Spring Terrace, Section 5 and approximately three (3) to four (4) acres will be taken from the Amber tract, which will result in a loss of property valuations in the District. Mr. Shackelford stated that Spring Terrace may need to erect a noise abatement wall due to the traffic noise on the Grand Parkway. Mr. Shackelford added that the report on the proposed alignment is very vague and gives no design parameters, drainage calculations or location of on/off ramps. Mr. Shackelford noted that he will be meeting with Mr. David Gornet, Executive Director of the Grand Parkway Association, and will ask about the impact of the proposed alignment on the development that has occurred but that is not identified or reflected in the report.

Director Steffes then asked if Northampton Municipal Utility District ("Northampton") has any issues with the proposed Segment F-2 alignment. Mr. Shackelford responded that he has not yet discussed the matter with the Northampton Board of Directors. Director Steffes stated that it is his understanding that the District's consultants are going to prepare a follow-up letter from the Board to the Grand Parkway Association regarding the District's position and concerns on the proposed alignment. Ms. Bobbitt stated that her office will work with Jones & Carter and Mr. Conner on such a letter. Director Steffes then asked if Jones & Carter has any conflicts with the Grand Parkway. Mr. Shackelford responded that he does not have any conflicts, but that Jones & Carter is interested in being the design engineer on this portion of the Grand Parkway. Mr. Shackelford then noted that all written comments on the proposed alignment are due on or before August 25, 2006. Ms. Bobbitt stated that a draft of the District's letter will be prepared and circulated for review prior to the August 15th Board meeting.

REVIEW STATUS OF DISTRICT PROPERTY VALUATIONS AND TAX RATES AND IMPACT OF SAME ON FINANCING PLAN AND FUTURE BOND ISSUES

Mr. Short then distributed copies of his Update of Financing Plan (the "Update") to the Board, a copy of which is attached hereto. Mr. Short stated that he was pleased to find that due to the large and continued increase in the District's property valuations, he was able to use a \$0.55 debt service tax rate for both the 8th bond application report (the "BAR") in the proposed issuance amount of \$8,540,000.00 and the 9th BAR in the proposed issuance amount of \$13,850,000.00. Mr. Short then reviewed the District's cash flow analyses and debt service schedules reflected in the Update. Mr. Short explained that the District can continue with its borrowing strategy of underlevying the debt service tax rate and allocating a portion of maintenance tax revenue for use in the payment of debt service. Mr. Short went on to explain that the proposed Series 2006 Bonds (BAR No. 8) and the proposed Series 2007-A Bonds (BAR No. 9 for primarily non-developer facilities) are feasible without any increase in the District's assessed valuation beyond the 2006 assessed valuation. Mr. Short added that based on his analyses, it appears the District has adequate borrowing capacity to issue the bond amounts currently proposed for BAR Nos. 8, 9 and 10 in the total estimated amount of \$31,025,080.00 without looking beyond the development and assessed valuations expected to be on the ground as of January 1, 2007. Mr. Short noted that the District should move forward with the preparation of BAR No. 10 in order to possibly issue two (2) series of bonds in one (1) year and possibly catch up with the District's developer reimbursement obligations. Mr. Short explained that typically, a district would not want to issue more than \$10 million of debt in a calendar year in order to be designated as a qualified tax-exempt obligation, but that it may be necessary for the District to issue two (2) series of bonds in a calendar year in order to try to catch up on the developer reimbursements.

Director Warren then asked about the timeline for moving forward with the bond issues. Mr. Short stated that the 8th bond issue will be sold near the end of 2006, that the 9th bond issue would be sold in the first part of 2007, and that the 10th bond issue would be sold at the end of 2007. Director Steffes asked how the Board can make sense out of the District's healthy housing growth versus the downturns in the housing market in other areas of Houston and other areas of the country. Mr. Short responded that the District's continued growth must be due to the type of housing and home pricing in the District's subdivisions.

Director Steffes then asked Mr. Short what interest rate he used in his projections. Mr. Short responded that an interest rate of six percent (6%), which he considers a conservative interest rate, was used in the projections and cash flow analyses. Director Steffes asked if the large amount of growth and increase in assessed valuations would help the District's bond rating. Mr. Short stated that the District's current bond rating is BBB+, and that there are very few small entity issuers that have an A+ bond rating. Mr. Short further noted that the District's bond issues will qualify for municipal bond insurance, which results in an AAA bond rating.

REVIEW AND DISCUSS FUTURE BARS

Mr. Peterson then distributed copies of the draft of the 9th BAR in the proposed amount of \$13,850,000.00 for the Board's review, a copy of which is attached hereto. Mr. Peterson stated that such BAR would be submitted to the Texas Commission on Environmental Quality

(the "TCEQ") later this year, and that the bonds would be sold the first part of 2007. Mr. Peterson then proceeded to review information regarding the 10th, 11th and 12th BARs. A copy of a summary of the District's Proposed Bond Issue Requirement is attached hereto. Mr. Peterson noted that the fourth page of the document reflects that an estimated \$24 million of authorized, but unissued bonds will remain after the 12th bond issue. Mr. Peterson explained that the plan would be to sell one (1) bond issue in the amount of \$8 to \$9 million per year after the 12th bond issue in order to meet all of the District's developer reimbursement obligations.

Director Warren then asked if the vacant Albertson's property would have a negative impact on the District's ability to issue bonds. Mr. Short responded that the rating agencies and municipal bond insurance companies have asked questions about the property, but it has not had any impact so far. Director Warren asked who is responsible for the maintenance of the Albertson's detention pond. Mr. Shackelford responded that the District is not responsible, but that the Harris County Health Department may have some maintenance responsibility if the detention pond is a health hazard.

PROPOSED CRITERIA FOR FINANCING ELIGIBILITY

Mr. Peterson next reviewed the proposed Criteria for Financing Eligibility with the Board, a copy of which is attached hereto. Mr. Short stated that it is his feeling that it is better to leave some room for the District's discretion in determining which projects go into a bond issue. Director Steffes asked if it is possible to use a grading system for reimbursement eligibility. Mr. Peterson responded that in the past, eligibility for reimbursement was determined by the assessed value and number of houses on the ground in a development, but now the District has multiple developments that are eligible for reimbursement and, therefore, some sort of eligibility requirements need to be implemented in order to determine which projects are to be included in a particular bond issue. Mr. Conner reported that he is proposing to implement use of a Developer Monthly Update Report form in order for the District to keep track of and be better informed about the status of development and homebuilding activity in the District. A copy of the proposed form is attached hereto. Ms Bobbitt then proposed that the Board submit all comments regarding the proposed Criteria for Financing Eligibility to Mr. Conner, Mr. Shackelford or her prior to the August 15th meeting in order for Board approval to occur at such meeting. Director Marks then asked when the cover letter and the Developer Update Report Form would be sent to the developers. Mr. Shackelford stated that once approved by the Board, such form could be sent out electronically to the developers.

Ms. Bobbitt then noted that right before leaving for tonight's meeting, she had received a fax copy of the TCEQ Staff Memo for the \$8,540,000.00 Series 2006 Bonds and would be reviewing it with Mr. Shackelford and Mr. Conner.

There being no further business to come before the Board, the meeting was adjourned at 8:55 p.m.

PASSED, APPROVED AND ADOPTED this 17th day of October, 2006.

Linda Lewis
Secretary, Board of Directors

(DISTRICT SEAL)

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