

2007-8
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
April 17, 2007

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, April 17, 2007, 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
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. Gene Conner, General Manager for the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., 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; Ms. Karen Sears and Mr. Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Lieutenant Ronnie Glaze, Sergeant Dean Coleman, Corporal Matthew Walker and Deputy Rasheed Abdullah of the Harris County Precinct 4 Constable's office; Mr. Bob Hudson of Texas Investment & Development Company, developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, and Villages of Senterra Lakes subdivisions within the District and the proposed Fanta tract; Mr. Johnny Smith, Resident Sales Manager of Republic Waste Services of Texas, Ltd. ("Republic"), garbage collection contractor for the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, 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.

Director Marks noted that Director Steffes had asked him to preside at tonight's meeting, in his absence.

CONSENT AGENDA

Director Marks then reviewed with the Board the items reflected on the Consent Agenda. Director Marks 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 noted that the minutes for the regular meeting of March 20, 2007 had been emailed to the Board. Ms. Bobbitt added that the minutes of the special meetings of January 10, 2007, February 6, 2007 and March 6, 2007 and the executive session minutes of March 6, 2007 had not yet been finalized and requested that approval of such minutes be deferred.

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 special meeting of December 6, 2006, as written; 2) authorize advertising for bids, subject to Engineer's receipt, review and approval of project plans and specifications for: a) Upper Bonds Gully modification/improvement project; b) Villages of Senterra Lakes, Section 2 water, sewer and drainage facilities; and c) Kuykendahl Road 16-inch waterline and 12-inch waterline loop located near the proposed Lowe's development; 3) authorize design of: a) water and sanitary sewer lines to serve the 7.5-acre Priske-Jones tract; and b) Upper Seals Gully drainage improvements from Wal-Mart/Northcrest Village detention pond to Kuykendahl Road; 4) approve the following pay estimates and change orders: a) Pay Estimate No. 3 in the amount of \$662,131.61 and Change Order No. 1 in the amount of \$4,380.00 for the removal and disposal of an existing manhole, a 60-inch CMP and 60-inch RCP in connection with the C. E. Barker, Ltd. contract for construction of Gosling Pines, Section 2 water, sewer and drainage facilities; b) Pay Estimate No. 3 and Final in the amount of \$3,741.80 from B & D Construction Co., Inc. ("B & D") for construction of the box culvert under the Trunkline Gas Co. pipeline; c) Pay Estimate No. 3 Revised in the amount of \$40,281.75 and Change Order No. 2 reducing the amount of the construction contract by \$43,919.32 due to actual quantities varying from planned quantities, and Change Order No. 3 in the amount of \$51,018.75 for additional clearing and grubbing work in connection with the B & D contract for construction of water, sewer and drainage facilities to serve Northcrest Village, Section 6; and 5) authorize the execution of any necessary easements to serve various District developments.

REGULAR AGENDA

GARBAGE COLLECTION SERVICE ISSUES

Mr. Smith then addressed the Board and reported that since the last Board meeting held on March 20, 2007, Republic added a fourth collection crew and truck to the District's Monday pick-up route. Mr. Smith also stated that he had obtained an updated street and boundary map of the District from Jones & Carter and had revised the collection routes in the District to assure that the trucks are out of the District by 5:00 p.m. Mr. Smith noted that he will continue to monitor the growth in the District to avoid future service problems. The Board confirmed that the trucks have been out of the District before 5:00 p.m. since the fourth truck was put into

service on Mondays. Director Warren stated that he thinks the residents are still confused about Thursday being the heavy trash day. Ms. Bobbitt then suggested that Aqua Services provide new residents of the District trash and recycling information at the time they request a transfer of service. Director Marks asked Mr. Conner to provide the appropriate garbage and recycling information to Aqua Services.

REVIEW OF AUDIT REPORT

Ms. Bobbitt then reported that McCall, Gibson & Company, PLLC was unable to deliver the draft of the District's audit report for the fiscal year ending December 31, 2006 until this morning and, therefore, the matter would be deferred until later in the meeting. The Board then scheduled a special meeting for Wednesday, May 2, 2007, to review and approve the audit report.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Ms. Hall reported that to date, 92.7% of the District's 2006 taxes have been collected and noted that there were a large number of tax refund checks included in tonight's checks.

Ms. Hall then reported that a resident has requested an installment payment plan for delinquent taxes. Director Marks suggested that the Board authorize the Tax Assessor/Collector to negotiate all future installment plans so that each plan does not have to come to the Board for approval. Ms. Bobbitt noted that Ms. Hall has been bringing the installment plan requests to the Board because that was a past directive from the Board that the Board approve all such plans. 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, to authorize payment of the checks reflected therein and to authorize the Tax Assessor/Collector to negotiate installment payment plans on delinquent tax accounts. Ms. Dold asked Ms. Hall to maintain a list of installment payment plans on the Tax Assessor/Collector's Report.

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. Director Marks asked about the status of the Rigia's Pizza delinquent tax account and noted that such business is still operating and conducting business. Ms. Bobbitt stated that she would check with the District's delinquent tax attorney about such matter. Ms. Hall noted that no action was required on the Report.

Lieutenant Glaze and Sergeant Coleman then entered the meeting at 7:27 p.m.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze reported that he has been assigned to replace Lieutenant Blankenship, who died from a heart attack last month. Sergeant Coleman then reviewed the Constable's

Report for the month of March, a copy of which was previously distributed to the Board and is attached hereto.

Corporal Walker and Deputy Abdullah then entered the meeting at 7:35 p.m.

Mr. Conner asked Lieutenant Glaze to continue to prepare monthly Constable's Reports for the Board. Mr. Conner stated that he would forward a copy of the Constable's Report to Lieutenant Glaze.

Lieutenant Glaze, Sergeant Coleman, Corporal Walker and Deputy Abdullah then exited the meeting at 7:37 p.m.

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 stated that, as discussed at the April 10th special Board meeting, he has requested a proposal from JBS Associates to prepare a water accountability report and analysis for the District.

Concerning the Albertson's detention pond, Mr. Conner reported that a settlement between the parties has finally been reached. Mr. Conner explained that Mr. José Gross will be responsible for the rehabilitation and renovation of the detention pond, and that Mr. Gross has initiated actions to restore the pump facilities, dewater the detention pond and begin the rehabilitation efforts. Mr. Conner noted that he has spoken with Mr. Gross and informed him that the District must review and approve the design and plans for the rehabilitation project. Mr. Peterson added that Jones & Carter will also need to inspect the project since the District's sanitary sewer line is located on one side of the detention facility. Mr. Conner stated that he and Jones & Carter will monitor the rehabilitation project closely. Mr. Conner also reported that Dannenbaum Engineering Corporation has been engaged by Mr. Gross to serve as the engineer on the rehabilitation project.

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

DIRECTOR'S INSPECTION REPORT

Director Steffes then distributed his Director's Report for his inspection of the District's facilities conducted on April 12, 2007 with Mr. Almaguer, a copy of which is attached hereto. Mr. Peterson noted that in response to the item identified during Director Steffes' inspection, the small four-corner leak on the ground storage tank (the "GST") at Water Plant No. 1 would be repaired on April 19, 2007. Mr. Almaguer reported that an underground leak at Water Plant No. 2 would be excavated next week. 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 Inspection Report.

REVIEW AND DISCUSS PROPOSED ACQUISITION OF LAND AND CONSTRUCTION OF DISTRICT OFFICE

Director Warren noted that he had asked for this matter to be placed on the agenda, and stated that he thinks the Board should consider purchasing land and building an office building that can be used by the Constables as a substation and by the Board as an office and meeting facility. Discussion then ensued regarding available land in the area. Director Warren noted that there are several tracts of land that are available in the area at reasonable prices. Mr. Hudson then stated that a portion of the Fanta tract might be available. Director Steffes noted that in the past, the Board considered building an office/meeting facility, but never went forward with the plan. Director Marks suggested that Directors Warren and Schkade serve as a committee to work with the District's engineers and the General Manager to develop a plan that can be presented to the Board.

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 went on to report that \$47,850.00 in tap fees had been collected during the prior month. Ms. Jarmon further noted that check no. 9903 to the Texas Department of Transportation ("TxDOT") in the amount of \$581,404.00 is the District's projected share of the Local Transportation Advanced Funding Agreement between the District and TxDOT in connection with the project. Ms. Jarmon added that at the end of the construction project, there would be an audit of costs reviewed by her, the engineers and the General Manager.

Ms. Sears then entered the meeting at 8:07 p.m.

Ms. Bobbitt reported that she, Ms. Jarmon, Mr. Conner, Mr. Shackelford and Mr. Peterson had recently met to discuss the tracking and invoicing of developer costs and developer reimbursement issues.

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 Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of March with the Board, including the termination list, copies of which are attached hereto. Ms. Sears reported that the District's four (4) month water accountability ratio was 91.5%, and that there were 15 sludge hauls during the month. Ms. Sears added that there are currently 4,563 connections in the District. Ms. Sears then distributed a list of water conservation literature offered by the Texas Water Development Board and reported that the Texas Commission on Environmental Quality

(the "TCEQ") also has water conservation materials available for use by the District. Ms. Sears asked that the Board select several brochures to be mailed to the District's customers periodically, which will satisfy some of the Water Smart program requirements in which the District participates. Ms. Bobbitt noted that the North Harris County Regional Water Authority also has a selection of free water conservation materials available.

Mr. Sears went on to report that the Operator's Report includes a draft of the District's 2006 Consumer Confidence Report (the "CCR"), which will appear as an action item on the Board's May 15th agenda. Ms. Sears asked that any comments on the CCR be provided to her as soon as possible.

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 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.

ENGINEER'S REPORT

Mr. Peterson then reviewed the Engineer's Report with the Board, a copy of which is attached hereto. Mr. Peterson noted that he would like to schedule a tour with the Board to go look at various types of elevated storage tanks in the area to help them visualize and determine what type of structure will be constructed in the District. The Board asked Mr. Conner to send an email to the Board to finalize the date of the tour for either May 12th or May 19th.

Mr. Peterson next reported that a pre-construction meeting was held with Rebel Dozer on April 9, 2007 for the completion of the Villages of Senterra Lake's six (6) inch force main to Lift Station No. 7, and that the contractor had begun work on the project.

Concerning the Upper Bonds Gully improvement project, Mr. Peterson reported that Jones & Carter expects to advertise for bids on Wednesday, April 18th.

Mr. Peterson then reported that the smaller GST at Water Plant No. 2 has been inspected, and that Jones & Carter is not recommending any major repairs to the tank at this time. Mr. Peterson added that the interior of the GST is fine, and that the Board may want to consider a little touch-up painting, but a complete re-coating of the tank is not necessary.

Mr. Peterson went on to report that the semi-annual well performance testing was performed in January and that the results of such testing were good. Mr. Peterson recommended that Water Well No. 2 be closely monitored, which may require some rework in the near future. Mr. Peterson also recommended that the hydropneumatic tanks be inspected again within two (2) to five (5) years. Mr. Peterson stated that he was asked to research the cost to repair versus the cost of replacing a GST and reported that it would be approximately \$120,000.00 to repair a GST and \$350,000.00 to replace a GST.

Concerning the Upper Seals Gully improvement project, Mr. Shackelford reported that because there was not a quorum present at the April 10, 2007 meeting before he had to leave, the Board was unable to approve the award of the contract for construction of the channel/detention project. Mr. Shackelford explained that the lowest qualified bidder on the project was

L. N. McKean, Inc. ("McKean"), based on their bid in the amount of \$2,948,823.00 (base bid, plus Alternates A, B, and C) and recommended approval of the award of the contract to McKean for the Upper Seals Gully improvement project. 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 award of the contract to McKean for the Upper Seals Gully improvement project. A copy of Mr. Shackelford's email regarding the bids is attached hereto.

Director Theiss then asked when the District would reimburse A-K-S 35 2920-Southeast, L.P. for the Upper Seals Gully channel/detention project. Mr. Shackelford responded that Jones & Carter will need to see how much of the proceeds of the District's ninth bond issue can be used for that project.

Director Warren then asked about the status of the District's Eighth (8th) Bond Application pending at the TCEQ. Mr. Shackelford and Ms. Bobbitt stated that the application and additional information requested by the TCEQ are apparently sitting on the reviewer's desk at the TCEQ. Ms. Bobbitt reported that the District's section of the TCEQ has been given approval to hire five (5) new people to help with the terrible backlog of various types of applications. Mr. Hudson then added that from the developer's point of view, the lengthy TCEQ application review process is costing the developer a great deal of money in interest costs. Director Theiss stated that she is very concerned about the delay in the reimbursements to the developers. Director Warren asked if the Board could see a list of the items to be included in future bond issues. Mr. Shackelford responded that such a list has previously been provided to the Board, but that such list can again be provided.

Mr. Shackelford next reported that Jones & Carter had submitted a request to Harris County Precinct 4 for them to pay a \$100,000.00 share of the costs for the Upper Seals Gully box culvert north of FM 2920. Mr. Shackelford noted that Harris County Precinct 4 has sent an agreement concerning such funds to the District, which will be reviewed by Jones & Carter and Ms. Bobbitt.

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 Engineer's Report.

Mr. Hudson then asked about the extension of Gosling Road south of FM 2920. Mr. Shackelford noted that TxDOT would be letting the construction contract for such project in the Spring of 2008. Mr. Hudson asked if Jones & Carter could provide a list of the developer projects to be included in future bond issues. Mr. Shackelford stated that the list will be updated and provided to the Board and Mr. Hudson.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that she, Ms. Jarmon and Mr. Carlin Short, the District's financial advisor, will meet on Wednesday, April 18, 2007, with Ms. Ann Levy, the tax attorney at JRPB, to discuss federal tax matters and the implications on the District's prior debt.

Ms. Bobbitt announced that Mr. Lewis S. Kasner has resigned from JRPB to pursue a career in real estate law.

Ms. Bobbitt then stated that she would like to discuss a real property matter in executive session.

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 Attorney's Report.

EXECUTIVE SESSION

Director Marks then adjourned the regular meeting at 8:47 p.m. and announced that the Board would convene in executive session pursuant to Section 551.072, Texas Government Code, as amended, to discuss deliberations about real property. The members of the Board, Mr. Conner, Ms. Jarmon, Ms. Bobbitt and Ms. Dold remained in executive session, at which time all other persons in attendance then exited the meeting.

RECONVENE IN OPEN SESSION

Director Marks then reconvened the meeting in open session at 8:50 p.m. where the following action was taken by the Board. 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 authorize Ms. Bobbitt to prepare an offer to the Klein family offering \$1.50 per square foot (\$7,450.00) for the sanitary sewer line easement to be located along Spring-Cypress Road across from the entrance of the Stone Forest subdivision and across the Klein family tract and to the Eagle Water Management, Inc. property and to authorize Ms. Bobbitt to order an appraisal of such easement, if necessary.

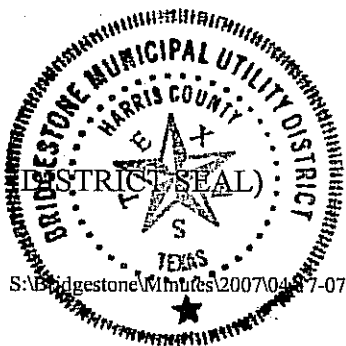
MISCELLANEOUS MATTERS

Ms. Bobbitt reminded the Board that a special meeting has been scheduled for Wednesday, May 2, 2007, and that the Board's next regular meeting is scheduled for Tuesday, May 15, 2007, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 15th day of May, 2007.


Secretary, Board of Directors



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