

2007-22  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
November 13, 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 Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, November 13, 2007, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President
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 and Erich Peterson, P.E., and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears and Mr. Danny Staab of SWWC Services, Inc. ("SWWC"), formerly Aqua Services, LP, operators for the District; 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; Mr. David Glunt of WB Sanctuary Development Partners, L.P., developer of The Sanctuary subdivision within the District; Sergeant Dean Coleman of the Harris County Precinct 4 Constable's office; Mr. Greg East of Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue, Brandon"), delinquent tax attorney for the District; and Ms. Robin S. Bobbitt and Mr. Jonathan D. Polley, attorneys, 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.

**CONSENT AGENDA**

Director Steffes 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.

Mr. Peterson reported that the bids for construction of the Northcrest Village, Section 7 drainage channel and detention facilities had not yet been taken and, therefore, the item will be deferred. Mr. Peterson also reported that Pay Estimate No. 8 and Final from S. Holland Co., Inc. ("Holland") in the amount of \$12,263.55 for construction of the water, sewer and drainage facilities to serve Stone Forest, Section 4 is not reflected on the Agenda, but has been recommended for payment in the Engineer's Report.

Ms. Bobbitt noted that the minutes of the regular meeting of October 17, 2007 were not finalized until shortly before the meeting and asked that approval of such minutes be removed from tonight's Consent Agenda.

Ms. Bobbitt also reported that item no. A.5 regarding the Emergency Water Supply Contract by and between the District and Northwest Harris County Municipal Utility District No. 32 would be deferred until next month.

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 approve the following Consent Agenda items: 1) approve the minutes of the executive session of September 18, 2007; and 2) approve the following pay estimates and change orders: a) Pay Estimate No. 5 (Revised) in the amount of \$88,231.52 and Change Order No. 2 in the amount of \$201,824.05, such amount being a deletion of the detention pond improvements from the C. E. Barker, Ltd. contract for construction of the water, sewer and drainage facilities to serve Gosling Pines, Section 2; b) Pay Estimate No. 3 and Final in the amount of \$25,643.13 from Rebel Dozer Service & Construction, Ltd. of the Kuykendahl Road six-inch (6") sanitary sewer force main; c) Pay Estimate No. 4 and Final in the amount of \$25,659.93 from Peltier Brothers Construction, Ltd. for construction of Lift Station No. 7; and d) Pay Estimate No. 8 and Final in the amount of \$12,263.55 from Holland for construction of water, sewer and drainage facilities to serve Stone Forest, Section 4.

## **REGULAR AGENDA**

### **TAX ASSESSOR/COLLECTOR'S REPORT**

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of October, a copy of which is attached hereto. Ms. Hall reported that the District's certified value for the 2007 tax year is \$566,773,634 and to date, 98.2% of the District's 2006 taxes have been collected.

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 Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

## DELINQUENT TAX ATTORNEY'S REPORT

Mr. East next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Mr. East noted that the Wells Fargo delinquent tax account reflected under Section I of the Report has been paid in full. Concerning MayMay Enterprises, Inc. ("MayMay") d/b/a Rigia's Pizza, Mr. East reported that he has not been able to get an installment payment plan executed because the owners say that the payment terms approved by the Board are not acceptable. Mr. East explained that the owners sent in a payment of \$200 last month, and Mr. East recommended that the Board accept such payment, but does not recommend that the Board change the terms of the proposed installment payment plan for the MayMay account. 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 \$200 payment from MayMay.

Under Section IV of the Report, item 3, Mr. East explained that the taxpayer has an over-65 exemption, but does not have a deferral on the tax account. Mr. East further explained that he has informed the taxpayer that they can obtain a deferral, but that the taxpayer has not yet done so. Director Warren noted that he thinks the house may be vacant. Mr. Conner stated that he would check to see if the house is vacant.

Mr. East then informed that Board that the District has not authorized water service termination letters in several years, because Klein Independent School District ("KISD") files suit against taxpayers immediately after their taxes become delinquent, and the District's tax accounts are included with the KISD delinquent suits due to the fact that Perdue, Brandon represents both the District and KISD. Mr. East further explained that if the Board wants to terminate service to delinquent accounts, it is the Board's decision. Mr. East also noted that there are several older accounts that are not part of a KISD lawsuit and can have service terminated. Director Warren suggested that the Board wait until after the first of the year to consider termination of service to those accounts.

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 tax Delinquent Tax Attorneys' Report.

## PUBLIC HEARING ON 2007 TAX RATE

Director Steffes then declared the public hearing open to discuss the District's proposed tax rate for 2007. Ms. Bobbitt reminded the Board that at the October 16, 2007 meeting, the Board had voted to propose a tax rate of \$0.50 per \$100 of assessed valuation for debt service purposes and a tax rate of \$0.25 per \$100 of assessed valuation for operations and maintenance purposes, for a total 2007 tax rate of \$0.75 per \$100 of assessed valuation, and authorized Ms. Hall to publish notice of the proposed tax rate (the "Notice") and the public hearing on such tax rate in the "This Week" section of the Houston Chronicle at least seven (7) days prior to tonight's public hearing. Ms. Hall stated that the Notice had been published, a copy of which is attached hereto. It was then explained that since there were no members of the public to ask questions concerning the proposed tax rate, the Board could close the hearing and proceed with setting the District's 2007 tax rate. The public hearing was then closed.

## ORDER SETTING RATE AND LEVYING TAX FOR 2007

Next, Ms. Bobbitt presented for the Board's approval and adoption an Order Setting Rate and Levying Tax for 2007 regarding the levy of a tax rate of \$0.50 per \$100 of assessed valuation for debt service purposes and \$0.25 per \$100 of assessed valuation for operations and maintenance purposes, for a total 2007 tax rate of \$0.75 per \$100 of assessed valuation, a copy of which is attached hereto. Ms. Bobbitt explained that due to GASB 34 accounting requirements, it is necessary to reflect in the minutes, at the time such Order is adopted, the applicable accounting period for the taxes being levied. Ms. Bobbitt explained that the debt service tax to be levied at today's meeting will be for the calendar year ending December 31, 2008, and that the operations/maintenance tax to be levied will be for the District's fiscal year ending September 30, 2008.

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 adopt the Order Setting Rate and Levying Tax for 2007, thereby levying a debt service tax rate of \$0.50 per \$100 of assessed valuation for the calendar year ending December 31, 2008 and an operations/maintenance tax rate of \$0.25 per \$100 of assessed valuation for the District's fiscal year ending September 30, 2008, for a total 2007 tax rate of \$0.75 per \$100 of assessed valuation.

## AMENDED DISTRICT INFORMATION FORM

Ms. Bobbitt then explained that pursuant to Section 49.455 of the Texas Water Code, as amended, the District is required to amend its District Information Form any time information in such form is revised or updated and, therefore, since the District's 2007 tax rate has been adopted, an Amendment to District Information Form is necessary. 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 authorize the execution of the Amended District Information Form, and to authorize JRPB to file such amendment in the Harris County Real Property Records and with the Texas Commission on Environmental Quality (the "TCEQ"), as required by law.

## ADOPT RESOLUTION TO TAX TANGIBLE PERSONAL PROPERTY IN TRANSIT WHICH WOULD OTHERWISE BE TAX EXEMPT PURSUANT TO TEXAS TAX CODE, SECTION 11.253 (THE "RESOLUTION")

Ms. Bobbitt then distributed a memorandum prepared by Perdue Brandon concerning House Bill 621 and the new local option to tax goods that are stored locally in a location that is not owned by the owner of the goods and are transferred from that location to another location within 175 days. A copy of the memorandum is attached hereto. Next, Ms. Bobbitt distributed the Resolution and explained that in order to preserve the District's ability to tax such goods in transit, it is necessary for the Board to adopt the Resolution prior to December 31, 2007. The Board asked that the matter be deferred until the December meeting.

Mr. East then exited the meeting at 7:25 p.m.

APPROVE AUDIT OF DEVELOPER REIMBURSABLES FROM THE PROCEEDS OF THE DISTRICT'S EIGHTH (8<sup>TH</sup>) BOND ISSUE

Ms. Bobbitt then reported that the Board had previously reviewed the Audit of Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to Bridgestone Lakes Development Company, Inc. and First Continental Investment Company, Ltd., KB Home Lone Star, Inc., A-K-S 57 NEC FM 2920-Kuykendahl, L.P. and Wal-Mart Real Estate Business Trust, Sowell Property partners-Rhodes Landing, L.P. and the participants of the Lift Station No. 5 project (the "AUP") at the special meeting of November 6, 2007, and that it was now appropriate to approve the AUP. Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the AUP dated November 6, 2007, a copy of which is attached hereto.

REVIEW FEASIBILITY STUDY FOR ANNEXATION OF 2.278-ACRE MY FAMILY VET TRACT

Ms. Ecklund then reviewed the feasibility study for the annexation of the 2.278-acre My Family Vet tract located on the northeast side of Kuykendahl Road approximately one (1) mile southeast of FM 2920, a copy of which is attached hereto. Ms. Ecklund reported that the District has water capacity available to serve the tract, and that service would be available to the tract via an existing 16-inch waterline along Kuykendahl Road. Ms. Ecklund further explained that the District has adequate wastewater treatment capacity to serve the tract, and stated that the owner would be responsible for a pro rata share of a 12-inch sanitary sewer line extension, plus a 100 percent (100%) share of an eight-inch (8") offsite and onsite public sanitary sewer line necessary to serve the tract. Ms. Ecklund noted that it is the owner's responsibility to comply with the Harris County (the "County") requirement regarding detention for the tract. Ms. Ecklund noted that the total estimated cost of the sanitary sewer line extension and annexation would be approximately \$53,700.

Discussion then ensued regarding how the My Family Vet's pro rata cost shares were calculated. Mr. Peterson stated that the tract is included with the other participants for the extension of the utilities to serve future development along Gosling Road.

Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the feasibility report as presented. Mr. Peterson stated that he would notify the owner of the tract to determine if she wishes to proceed with annexation into the District.

GENERAL MANAGER'S REPORT

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

Mr. Conner noted that discussion regarding the proposed clean-out work for Upper Bonds Gully would be held later in the meeting.

Mr. Conner next informed the Board that approval of the Interlocal Agreement with the County for Law Enforcement Services would be deferred until the December meeting. Mr. Conner explained that the Springbrook subdivision has initiated a contract for constable service similar to the contracts that have been implemented in the Bridgestone West and Stone Forest subdivisions. Mr. Conner added that he thought an additional deputy to serve the District is not necessary at this time, but that he would further review the matter and present a recommendation to the Board at the December meeting.

Director Theiss then asked about the status of the rehabilitation work on the Albertson's detention pond. Mr. Conner responded that there was very little progress being made due to ongoing negotiations regarding the pending lawsuit concerning the detention pond.

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

#### ANNUAL RATE INCREASE FROM REPUBLIC WASTE SERVICES

Mr. Conner next reported on the receipt of a letter from Republic Waste Services ("Republic") regarding an annual Consumer Price Index (the "CPI") increase of 1.41%, thereby increasing the monthly garbage service rate from \$10.75 to \$10.90 per connection, a copy of which is attached hereto. Mr. Conner informed the District that Republic has a contractual right to implement the CPI increase on an annual basis.

Director Marks suggested that in the future, he wants to be certain that the details and definitions of what the Board wants in a contract agree with what is included in the bids for garbage collection services. Director Marks also mentioned that recently, he has observed Republic in the District too early, and that the recycling service provider has been in the District too late.

#### DIRECTOR'S INSPECTION REPORT

Director Schkade then reported that he and Mr. Staab had inspected the District's facilities on Saturday, November 9<sup>th</sup>. A copy of his report is attached hereto. Director Schkade reported the following items needed to be addressed: 1) Water Plant No. 1: the hydropneumatic tank, the back of the building and the diesel tank need to be pressure washed; 2) Water Plant No. 2: paint on the fill pipe is peeling; 3) Lift Station No. 1: the District sign has fallen off; and 4) Lift Station No. 7: fence pickets are broken, signs need to be installed and the access road is in bad condition.

The Board then asked Mr. Conner to investigate purchasing a deer stand video camera to install at Lift Station No. 7. Mr. Conner stated that deer stand cameras are on sale at Academy for \$89.00, and that he would purchase a video camera for Lift Station No. 7.

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 Director's Inspection Report.

## HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Sergeant Coleman then reviewed the Constable's Report for the month of October, a copy of which was previously distributed to the Board and is attached hereto. Sergeant Coleman reported that several businesses have had their copper wiring stolen, and that a woman at Kroger caught thieves trying to steal her car.

## OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of October with the Board, including the termination list, copies of which are attached hereto. Ms. Sears then introduced Mr. Danny Staab, who has replaced Mr. Joe Almaguer who is no longer with SWWC. Ms. Sears reported that her office is in the process of upgrading its phone system, which will result in a change to the customer service phone number, effective December 15<sup>th</sup>. Ms. Sears requested that the Board authorize her to include a message with the next water/sewer service bills to inform customers that the customer service number will change.

Ms. Sears then reported that the District's four (4) month water accountability ratio was 92%, and that there were 21 sludge hauls during the prior month. Ms. Sears added that there are currently 4,848 connections in the District.

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 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.

## DISCUSS DEVELOPER'S LAND PLAN FOR THE SANCTUARY PROJECT

Mr. Glunt then presented the proposed land plan for The Sanctuary development, a copy of which is attached hereto. Mr. Glunt explained that the tract is approximately 67.323 acres, which will be developed into 144 lots in two (2) sections. Mr. Glunt noted that the homes would be priced from \$485,000 up to \$1,000,000. Mr. Glunt further stated that he intends to keep the property heavily wooded, and that the only clearing that would be done will be for the street right-of-ways. Mr. Glunt informed that Board that there would be a manned guard station at the entry into the development. Mr. Glunt further reported that 90 of the 144 lots are currently under contract with custom builders, and that he expects to have all of the lots under contract by January 1, 2008. Director Theiss requested that Mr. Glunt provide a list of the custom homebuilders that will be taking down the lots in order for her to determine if her husband has any contracts with those builders. Mr. Glunt estimated that the total assessed value of the property at build-out would be approximately \$70,000,000, plus the value of the three (3) commercial reserves in the front of the tract, totaling six (6) acres.

Mr. Peterson then requested authorization from the Board to begin design of the offsite utilities to serve The Sanctuary, for which WB Sanctuary Development Partners, LP will be funding. Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with the design of the offsite utilities to serve The Sanctuary 67.3-acre tract.

## ENGINEER'S REPORT

Mr. Peterson then presented the Engineer's Report to the Board, a copy of which is attached hereto. Mr. Peterson reported that Ms. Bobbitt had responded to the TCEQ staff memorandum regarding approval of the District's Bond Application Report ("BAR") No. 9. Mr. Peterson stated that he expects the TCEQ Order approving the issuance of BAR No. 9 would be received within the next several weeks.

Concerning BAR No. 10, Mr. Peterson reported that a draft of BAR No. 10 would be distributed to the Board in the next few weeks, and noted that BAR No. 10 should be ready to submit to the TCEQ in late December.

Mr. Peterson next reported that he is still trying to schedule the Harris County Flood Control District inspection of Ditch "A" and Ditch "B", following which the County will take them over for maintenance pursuant to the District's Turf Establishment Agreement with the County.

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

Mr. Hudson then requested that Mr. Peterson forward him a copy of the draft BAR No. 10 cost summary for his review and inclusion in his files.

## ATTORNEY'S REPORT

Ms. Bobbitt then stated that JRPB is recommending that proposals be obtained for review of the District's prior bond issuances for compliance with all applicable arbitrage rules and regulations, but she is not yet ready to seek authorization from the Board on this matter. Ms. Bobbitt stated that such matter will be addressed further at the December meeting.

Mr. Peterson then stated that he needs to get the plat for Water Plant No. 4 signed by the Board at tonight's meeting.

Ms. Sears reported that she would provide a Christmas dinner to the Board at the December 18<sup>th</sup> meeting.

## 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 reviewed the Capital Projects account reflecting the wires to be made to reimburse developers from the proceeds of BAR No. 8. Ms. Jarmon reported that there are two

(2) wires for each developer, since the District has not yet received the pre-purchase letter from the TCEQ. Ms. Jarmon further explained that land acquisition costs do not require the pre-purchase letter and, therefore, a separate wire authorization has been prepared for such items. Ms. Jarmon then noted that the District will have approximately \$500,000 left in surplus funds after all reimbursements are completed.

Ms. Jarmon went on to report that \$44,730 in tap fees had been collected during the prior month, and that the first two (2) checks for \$9,219.86 and \$48,010.11, respectively, have been received from the City of Houston (the "City") from the District's Strategic Partnership Agreement (the "SPA") with the City. Ms. Bobbitt reported that her office has determined that the Texas State Comptroller's (the "Comptroller") office had an incomplete list of the businesses located within the boundaries of the SPA, and that there was also an issue with the Wal-Mart store number. Ms. Bobbitt went on to explain that the business list has been updated by a legal assistant at JRPB and been submitted to the City and the Comptroller's office, so that the District will get full credit for all of the sales taxes collected within the District's SPA. Director Steffes suggested that the District's operator and bookkeeper monitor the establishment of new business taps in order to keep the SPA business list updated and current.

Ms. Jarmon next reported that earlier today, she had received Pay Estimate No. 1 in the amount of \$106,416.36 from Beyer Construction, LLP for the T. C. Jester Boulevard ("T. C. Jester") extension, and noted that she has added a check for such pay estimate. Director Warren then asked when the T. C. Jester extension project is expected to be completed. Mr. Peterson responded that the project is scheduled to be complete in five (5) months.

Ms. Jarmon then reported that she had distributed to the consultants a proposed budget for fiscal year ending December 31, 2008 (the "2008 Budget") for their review, a copy of which is attached to the Bookkeeper's Report. Ms. Jarmon added that next month, the Board will be adopting the 2008 Budget.

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 approve the Bookkeeper's Report, the investment report, the payment of the checks reflected therein, and to authorize execution of the wire transfers for the pending developer reimbursements in connection with BAR No. 8.

Director Steffes then asked the District's consultants if they had received any information regarding the Texas Department of Transportation's public meetings to discuss the widening of FM 2920. Mr. Shackelford responded that there is a meeting scheduled in Tomball tomorrow night on such matter.

#### 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 Section 551.071(2), Texas Government Code, as amended, to consult with the District's attorney regarding attorney/client privilege matters. The members of the Board, Mr. Conner, Mr. Shackelford, Mr. Peterson, Ms. Ecklund,

Ms. Bobbitt, Mr. Polley and Ms. Dold remained in the executive session, at which time all other persons in attendance at the meeting exited the meeting room.

### RECONVENE IN OPEN SESSION

Mr. Hudson then re-entered the meeting room at 10:12 p.m.

Director Steffes then reconvened the meeting in open session at 10:13 p.m., at which time the following action was taken by the Board. Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve reimbursement for all developers in accordance with the AUP, with the exception of the reimbursements to Bridgestone Lakes Development Company, Inc. for the \$125,004.29 Bridgestone Lakes, Section 1 detention pond costs to be held until a detention pond maintenance agreement can be negotiated and executed and \$842,912.35 for the Bridgestone Lakes, Section 1 water, sewer and drainage facilities costs to be held until the pilot channel is cleaned out and de-silted in order to allow the storm sewer system in Bridgestone Lakes, Section 1 to drain properly and thereby enable the developer to get the County to cancel the maintenance bond for such section of development.

The Board concurred that the District will maintain the interim pilot channel until such time that the Upper Bonds Gully improvement project is completed.

Mr. Hudson then asked for clarification of the motion and what the Board's expectation is regarding the developer's obligations in connection with the proposed detention pond maintenance agreement. Mr. Shackelford explained that since the developer had made the sidewalk and fence modifications to the Bridgestone Lakes, Section 1 detention pond, the Board is requiring the developer to provide funds to be used in the event of a catastrophic failure or major rehabilitation of the Bridgestone Lakes, Section 1 detention pond, and that Mr. Hudson has the option of having such funds withheld from his reimbursement or providing these funds from another source. Mr. Shackelford further added that the Bridgestone Lakes, Section 2 detention pond also does not comply with the approved construction plans and specifications and, therefore, will also likely not be eligible for reimbursement.

Mr. Hudson then stated that due to recent issues involving the United States Army Corps of Engineers (the "Corps"), he is very uncomfortable doing any work on the pilot channel without specific authorization and direction from the Board, which was provided prior to the original work being performed on the channel. Mr. Hudson then asked why the issue of non-compliance of the Bridgestone Lakes, Section 1 detention pond is being brought up now at the time of reimbursement, rather than earlier when the issue was first identified. Director Steffes stated that the Board has discussed the issue of non-compliance of the Bridgestone Lakes, Section 1 detention pond for several years without resolving the matter. Mr. Hudson then questioned why the project was submitted to the TCEQ for approval if the Board had an issue with the reimbursement. Director Steffes then reiterated that the issue has been discussed on more than one occasion for several years. Director Steffes added that the Board does not think that the residents of Bridgestone Lakes should be burdened with the increased cost of maintenance that resulted from the developer's non-compliance with the plans and specifications for the detention pond.

Mr. Hudson then stated that his contractor will not begin work to clean out the pilot channel because of the harassment he previously received from residents, and that he is concerned that the Corps may object to any work being done on Bonds Gully. Mr. Hudson then requested a letter from the Corps stating that the clean-out work can be done without violating any Corps rules. Mr. Conner stated that he and the Jones & Carter representatives will work and coordinate with Mr. Hudson on this matter.

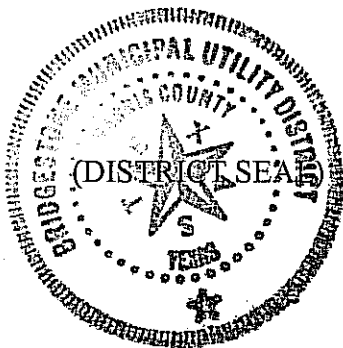
Mr. Hudson further commented that he would not be in this situation today if the improvements to Upper Bonds Gully had been constructed sooner, but stated that he is willing to get the pilot channel cleaned out. Mr. Hudson added that he does not understand why the District is withholding funds now when he is going to be reimbursed in excess of \$2,000,000 from future bond proceeds for other sections of development. Mr. Hudson further stated that if it is less expensive for him to bulldoze the side slopes of the Bridgestone Lakes, Section 1 detention pond to give a 3:1 side slope, he would rather do that than provide a contingency amount for future maintenance of the detention pond.

MISCELLANEOUS MATTERS

Ms. Bobbitt reminded the Board that the next regular meeting of the Board is scheduled for Tuesday, December 18, 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 18<sup>th</sup> day of December, 2007.



*Linda Hein*  
Secretary, Board of Directors