

2008-5
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
May 20, 2008

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, May 20, 2008, 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. Joe Palumbo, owner of an 11.5-acre tract located outside the boundaries of the District on Rhodes Road; 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. Danny Staab of Southwest Water Company ("SWWC"), 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 David Mayes of the Harris County Precinct 4 Constable's office; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), 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.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Sergeant Mayes then reviewed with the Board the Constable's Report for the month of April, a copy of which was previously distributed to the Board and is attached hereto.

REVIEW AND DISCUSS AMENDED INTERLOCAL AGREEMENT FOR LAW ENFORCEMENT SERVICES WITH HARRIS COUNTY

Mr. Conner advised the Board that Deputy Matt Walker had requested an amendment to the District's Interlocal Agreement for Law Enforcement Services (the "Interlocal Agreement") in order to have Deputy Walker serve the District in the capacity of Sergeant, which would increase the District's current contract cost by \$3,098. 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 and authorize execution of the Amended Interlocal Agreement.

Sergeant Mayes then exited the meeting and Director Marks entered the meeting at 7:05 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.

Director Marks stated that he did not want to approve any pay estimates for the Bella Sera detention pond or Lift Station No. 7 in the Consent Agenda. Mr. Peterson noted that there were no pay estimates for those two (2) projects being presented for payment at tonight's meeting.

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 approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of April 15, 2008, as written, and the executive session of December 18, 2007, as written; 2) authorize advertising for bids, subject to the Engineer's receipt, review and approval of project plans and specifications for the following projects: a) The Sanctuary water line extension; and b) the Kuykendahl Road water line extension; 3) review bid tabulations and award contract for construction of the drainage channel and detention facilities to serve Northcrest Village, Section 7 to Excalibur Excavation L.P. in the amount of \$503,423.75; 4) approve the following pay estimates: a) Pay Estimate No. 12 in the amount of \$3,192 from Triple B Services, L.L.P. in connection with the construction of the Bella Sera detention pond; b) Pay Estimate No. 6 and Final in the amount of \$33,199.35 from Pace Services, LP in connection with the construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 3; c) Pay Estimate No. 1 in the amount of \$115,189.40 from Statewide Services in connection with the construction of the Kuykendahl Road and Stuebner Road utility extensions; and d) Pay Estimate No. 1 in the amount of \$29,33.10 from Texas Land Clearing, Inc. in connection with the clearing and grubbing for The Sanctuary; 5) approve and authorize execution of the Assignment of Agreement for Joint Use

and Maintenance of Drainage and Detention Facilities from KB Home Lone Star Inc. ("KB Home") to the District; 6) approve and authorize execution of letter agreement amending Interim Water Supply Agreement with Northwest Harris County Municipal Utility District No. 30; 7) authorize re-execution of Detention Pond Maintenance Agreement with Bridgestone Lakes Development Company, Inc. and Bridgestone Lakes Community Improvement Association, Inc. regarding Bridgestone Lakes, Section 1 detention pond; 8) approve and authorize execution of Subordination of Assignment of Agreement for Financing of Facilities to David Klein, Trustee for Senterra Lakes, L.P.; 9) approve and authorize execution of Contract of Sale of Real Property between the District and Northcrest 2920, LP regarding acquisition of 13.09 acres in connection with the Upper Seals Gully project; 10) authorize execution and filing of Amendment to District Information Form; 11) ratify authorization to execute Agreement for Financing of Facilities between 2920 Business Park, LP and the District regarding the 10.56-acre tract; and 12) authorize execution of any necessary easements to serve various developments within the District and/or District projects.

ELECTION AGENDA

QUALIFICATIONS OF DIRECTORS, ADMINISTER AND ACCEPT OATHS OF OFFICE AND OFFICIAL STATEMENTS OF ELECTED DIRECTORS

Directors Theiss, Marks and Schkade then executed their Affidavits of Elected Officer and executed their oaths of office and official statements of elected director.

Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to accept the executed oaths of office and official statements of elected director for Directors Theiss, Marks and Schkade. Ms. Dold noted that copies of the oaths of office will be filed with the Secretary of State's office, pursuant to Article XVI, Section 1 of the Texas Constitution.

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 retain the current officers of the Board.

REGULAR AGENDA

CONSIDER REQUESTS FOR ANNEXATION

Mr. Peterson then reported that Marta and Laureano Henriquez had applied for a feasibility study regarding the annexation of their 1.6676-acre commercial tract located on the west side of Rhodes Road and south of FM 2920 in 2006, but that they had not moved forward with the annexation. Mr. Peterson noted that Mr. & Ms. Henriquez have now submitted an updated service application and provided an \$8,000 deposit to update the earlier feasibility study and provide funds for the annexation of the tract.

Mr. Peterson next reported that Messrs. Steven H. Clegg and Marc D. Ashley had applied for a feasibility study regarding the annexation of 3.3528 acres out of a 7.9578-acre commercial tract located on Kuykendahl Road. Mr. Peterson noted that the requirement for the \$3,000

deposit for the feasibility study had been waived in consideration of the conveyance of a 10-foot water line easement along Kuykendahl Road that is needed by the District.

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 authorize Jones & Carter to prepare the feasibility studies for service to and annexation of the 1.6676-acre and the 3.3528-acre tracts of land.

REVIEW AND APPROVE ANNEXATION FEASIBILITY STUDY FOR 11.5-ACRE TRACT OF LAND OWNED BY MR. PALUMBO

Mr. Peterson next presented an annexation feasibility study for a request for service from Mr. Palumbo to serve an 11.5-acre tract of land located on the northwest of Rhodes Road and FM 2920 (the "Tract") a copy of which is attached hereto. Mr. Peterson reported that Mr. Palumbo plans to develop the Tract for light retail commercial development and office warehouses.

Mr. Peterson then reviewed the feasibility study and explained that the estimated water capacity requirement for the Tract is 27,000 gallons per day ("gpd"), and that the District currently has water capacity available to serve the Tract. Mr. Peterson further explained that service would be available to the Tract via an existing 12-inch water line across Rhodes Road on the north side of Rhodes Landing Boulevard. Mr. Peterson noted that such water line will need to be extended across Rhodes Road, then north along the west side of the Rhodes Road right-of-way ("ROW") in a proposed 10-foot water line easement across the front of the Tract. Mr. Peterson noted that Mr. Palumbo will be responsible for the cost of the water tap, such cost to be calculated by SWWC, pursuant to the District's Rate Order. Mr. Peterson stated that if the Tract is owned by one (1) entity, the water line extension will be considered to be a private water line and not reimbursable to such entity; however, if the Tract is subdivided into multiple ownerships, the cost of the public water line will be reimbursable. Mr. Peterson noted that the estimated cost of extending a public 12-inch water line is \$67,900.

Mr. Peterson next explained that the estimated wastewater treatment capacity requirement for the Tract is 22,500 gpd, and that the District currently has adequate wastewater treatment capacity available to serve the Tract. Mr. Peterson stated that there is an existing manhole located on the southwest corner of the intersection of Rhodes Landing Boulevard and Astipalia Drive in the Rhodes Landing subdivision, and that an eight-inch (8") sanitary sewer line will need to be extended from the manhole, west across Rhodes Road to serve the Tract and north along a 15-foot sanitary sewer easement along the western ROW of Rhodes Road on the Tract. Mr. Peterson estimated the cost of easement acquisitions for the sanitary sewer line to be \$4,750, and that the cost of the sanitary sewer line extension will be approximately \$79,800, for a total estimated project cost of \$152,450.

Mr. Peterson further noted that it is the owner/developer's responsibility to comply with Harris County's requirements regarding drainage detention and outfall for the Tract.

In conclusion, Mr. Peterson noted that the estimated assessed valuation for the Tract is \$7,200,000, and stated that the development of the Tract will financially support itself at a 100%

developer reimbursement rate. Mr. Peterson added that if the Tract remains under one (1) owner, the estimated bond issue requirement for the project will be approximately \$152,450, and that if the Tract is sold to multiple owners, the estimated bond issue requirement for public water and sanitary sewer lines will be approximately \$258,750.

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 the feasibility report, as presented.

DISCUSS RENEWAL OF DISTRICT'S INSURANCE COVERAGES

Ms. Dold reported that the District's insurance coverages will expire August 31, 2008, and inquired if the Board wants to solicit for proposals for the District's insurance coverages. A brief discussion ensued. 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 authorize Mr. Conner to solicit proposals for renewal of the District's insurance coverages and to authorize Director Marks to review the proposals with Mr. Conner.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of April, a copy of which is attached hereto. Ms. Hall reported that to date, 93.46% of the District's 2007 taxes have been collected.

Ms. Hall next reported on receipt of a letter from Mr. George Poblete, a copy of which is attached hereto, requesting a waiver of penalty and interest on his tax account. Mr. Poblete's letter indicated that the Harris County Appraisal District ("HCAD") did not pick up his new house on the 2005 tax rolls. Mr. Poblete stated that Klein Independent School District acknowledged the error and waived the penalty and interest on his account. Further discussion ensued. The Board noted that the Delinquent Tax Attorney has filed a lawsuit against Mr. Poblete. Director Steffes asked Ms. Hall to contact the District's Delinquent Tax Attorney to investigate the request further, and to contact Mr. Poblete and notify him that the District will freeze the account's current penalty and interest until the matter is brought back to the Board for review.

Ms. Hall went on to report that to date, HCAD has certified \$683,092,049 of the District's 2007 assessed valuation, and that \$2,290,150 still remains uncertified. 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 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 Delinquent Tax Attorney has requested Board approval for termination of service to the Glaser delinquent account reflected in Section III of the Report. 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 termination of service to the Glaser delinquent account.

Ms. Hall then reported that two (2) of the three (3) installment payments have been paid on the Mr. Jose Carranza, Mr. Romulo Moline and Ms. Rosibel Carranza delinquent accounts and that the third payment is due by June 8, 2008.

Ms. Hall noted that Lawrence and Patricia Willinsky had paid an installment payment of \$600 and have promised to pay the balance on their delinquent 2006 taxes by July 1st.

Ms. Sears then confirmed that service is still off at the Scott account at 21218 Pinewalk Brook Lane.

Director Warren then asked the Board to return to Section II of the Delinquent Tax Report that recommended that the non-responsive delinquent tax accounts be tagged and service terminated. 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 tag and schedule termination of service to the Perez account at 21902 Blossom Grove Lane and to the Jamison account at 5630 Aberton Lane.

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 Delinquent Tax Attorney's Report.

CONSIDER ADOPTION OF RESOLUTION OF INTENT TO MAKE CAPITAL CONTRIBUTION TO THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "NHCRWA")

Mr. Peterson then reviewed a letter dated May 6, 2008 from the NHCRWA, a copy of which is attached hereto. Mr. Peterson explained that the NHCRWA is allowing eligible districts within the boundaries of the NHCRWA to participate in the funding/financing of the proposed \$261,665,000 Series 2008 Bonds of the NHCRWA. Mr. Peterson went on to explain that the maximum capital contribution the District can provide is \$4,899,427.96. Director Steffes stated that the District had decided earlier in the year to not make the capital contributions for the NHCRWA's Series 2003 Bonds and the Series 2005 Bonds. 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 not make a capital contribution to the NHCRWA.

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.

Concerning an incidence of water theft at the Chick-Fil-A on FM 2920, Mr. Conner reported that Mr. William Hoft, a subcontractor hired to pressure wash the Chick-Fil-A parking lot, has requested a three (3) month installment payment plan to pay for the water that was taken. Mr. Conner noted that criminal charges were filed against Mr. Hoft's employees for unauthorized use of the District's water and an invoice sent to Mr. Hoft in the amount of \$1,617.47.

Mr. Conner stated that Mr. Hoft has accepted responsibility for his employee's error and offered to pay the cost of the water and the \$1,500 penalty in three (3) monthly installments by July. Mr. Conner recommended that the Board approve the proposed installment payment plan. Director Warren stated that he does not want the criminal charges dropped on the two (2) employees until the invoice is paid in full. Director Warren also noted that the charges were brought against the two (2) employees because Mr. and Mrs. Albert Smith, a couple eating at the restaurant, called the constables when they witnessed the incident. Director Warren recommended giving the couple a gift certificate for performing their civic duty. 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 three (3) month installment plan for Mr. Hoft, and authorized Mr. Conner to purchase a \$50 gift certificate from a local restaurant for Mr. and Mrs. Smith.

Mr. Conner next addressed the Board concerning the Springbrook detention pond. Mr. Conner explained that KB Home, the Springbrook developer, transferred the responsibility for the maintenance of the Springbrook detention pond in December 2006 to the Springbrook (Houston) Homeowners Association (the "Springbrook HOA"). Mr. Conner noted that Springbrook HOA has not paid any of the monthly maintenance costs since that time due to the fact that they had not been billed. Mr. Conner further explained that he had spoken with Mr. Mike Hessel, the property manager for the Springbrook HOA, and has worked out a payment plan whereby the Springbrook HOA will bring their account up to date for the months of January 2008 through June 2008 and, beginning July 1, 2008, will pay \$3,900 per month, which represents the current monthly payment of \$1,950, plus an additional monthly payment for the December 2006 amount, and continue until the December 2006 through December 2007 amounts are paid in full.

Ms. Jarmon reported that KB Home has paid \$28,800 to the District, representing its share of the maintenance costs through November 2006.

Director Warren then disclosed that his daughter serves on the Board of the Springbrook HOA and, therefore, he will abstain from any vote on the matter. Upon motion by Director Marks, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor, with Director Warren abstaining, to approve the payment plan negotiated by Mr. Conner with the Springbrook HOA, a copy of which is attached hereto.

Mr. Conner next informed the Board that the bonding company has reassigned the Texas Department of Transportation stormwater drainage project under FM 2920 that was abandoned by the original contractor to a new contractor. Mr. Conner noted that work on the project will resume in late May.

Concerning the repair and painting of the fire hydrants in the Bridgestone and Bridgestone West subdivisions, Mr. Conner reported that the contractor missed painting several fire hydrants and will come back to complete the job at no additional cost to the District.

Mr. Conner next reported that on April 29, 2008, someone, who he has surmised was a disgruntled former employee of Superior Water Works, Inc. ("Superior"), stole a truck, trailer

and backhoe owned by Superior and stored at the District's Sewage Treatment Plant (the "STP"). Mr. Conner noted that the combinations on the locks have now been changed at all the District's facilities. The Board then discussed what security lock options might be available. Mr. Conner stated that he will have a lock company come to the STP to review the possible options.

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 General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Marks then reported that he and Mr. Staab had inspected the District's facilities on May 3, 2008. A copy of the report is attached hereto.

Director Marks reported that the site around Lift Station No. 7 is still holding water due to a grading problem. Mr. Peterson noted that Lift Station No. 7 is in the Villages of Senterra Lakes, Section 1, and that the problem will be corrected when the subdivision is developed. Mr. Glunt stated that he will look into having the area graded.

Director Marks next reported that the control panel pad at the Rhodes Landing detention pond pump station should be fenced.

Director Marks went on to report that the Spring Terrace detention pond fence has been broken in several places, and that the detention pond is silted in and needs some repairs. Mr. Staab noted that he will attend to the fence repairs.

Concerning the golf driving range at FM 2920 and Bridgestone Lane, Director Marks suggested that several drainage cuts be made to lessen the erosion and allow the driving range to drain properly. The Board then discussed the tent that has been erected on the concrete slab on Mr. Fred Grundmeyer's land adjacent to the driving range. Mr. Conner reported that he had the concrete pad moved off of the District's easement on Bridgestone Lane, but that cables have now been hung across the District's drainage easement to a utility pole in order to straighten the tent supports, which poses a hazard to anyone traveling along the easement. Mr. Conner stated he will work on getting the cables removed.

Director Marks again asked if any invoices were submitted for payment by any of the subdivisions that were cited in his report as having problems. Ms. Jarmon responded that there were none.

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.

Director Warren then commented that a neighboring district has very nicely dressed up facilities and asked the Board if they would like to do a similar job in the District. Director Warren suggested that they start with Lift Station No. 5 that is currently an eye sore in his opinion. Mr. Peterson noted that the Lift Station No. 5 site will be better maintained when the

Lowe's store is built. Director Steffes suggested that the Board use the Strategic Partnership Agreement revenue to systematically beautify the District's facilities.

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 reported that \$52,230 in tap fees was received during the prior month.

Ms. Jarmon also reported receipt of \$29,260 from the City of Houston (the "City") for the District's portion of the February Strategic Partnership Agreement sales tax revenue. A copy of such report is attached hereto.

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 next reviewed the Operator's Report for the month of April 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 89%, and that there were 33 sludge hauls during the prior month. Ms. Sears added that there are currently 5,065 connections in the District.

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 Operator's Report, to authorize the termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order, and to approve and authorize distribution of the District's 2007 Consumer Confidence Report.

ENGINEER'S REPORT

Mr. Peterson next presented the Engineer's Report, a copy of which is attached hereto.

Mr. Peterson first reported that the District has received the permit from the United States Army Corps of Engineers for the proposed Bonds Gully improvement project. Mr. Peterson stated that as soon as the plans are approved, the project will be advertised for bids. Mr. Peterson reminded the Board that the improvements must be completed between May and August to accommodate the summer schedule of the golf driving range.

Director Marks then asked Jones & Carter, Mr. Staab and Mr. Conner to inspect the District's lift stations to determine what improvements are needed at such facilities.

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 approve the Engineer's Report.

Director Warren then thanked Director Marks and Mr. Conner for helping to get the Bridgestone Lane drainage easement cleaned up.

ATTORNEY'S REPORT

Mr. Polley reported that there are still two (2) items and \$2,000 required from FM 2920 Investments, LLC ("2920 Investments") before the annexation of the 28.0669 acres can be submitted to the City.

Mr. Polley then stated that the Board will discuss the 2920 Investments matter in executive session.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:20 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1)(A), Texas Government Code, as amended, to consult with the District's attorney regarding attorney/client privilege matters and to discuss pending or contemplated litigation. The members of the Board, Mr. Conner, Mr. Shackelford, Mr. Peterson, Ms. Ecklund, 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

Director Steffes then reconvened the meeting in open session at 8:50 p.m., at which time the Board took the following action. 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 grant a final deadline of Friday, May 23, 2008, for 2920 Investments to pay their \$137,500 initial payment under the Gosling Road Utilities Cost Sharing Agreement (the "Agreement") and, if payment is not received by such deadline, to direct Mr. Polley to proceed with filing a lawsuit against 2920 Investments for defaulting on the Agreement.

Mr. Conner stated that if the funds are not received from 2920 Investments, the Board will need to meet in special session to further discuss the lawsuit and how to proceed with the Gosling Road utilities project.

ATTORNEY'S REPORT (CONTINUED)

Director Marks then complained about the length of and the disclaimers in the audit response letter that was prepared by Johnson Radcliffe in connection with the District's December 31, 2007 audit report. Mr. Polley explained that the letter is a form letter that has been used for years in the audit response letters, and that many of the statements in the audit response letter are promulgated by the American Bar Association and are standard statements in all audit response letters. Director Marks also stated that there is no reason for the minutes of the

executive session of December 18, 2007 that were so short to have taken so long to be finalized for the Board's approval.

Director Theiss commented about the failure of Johnson Radcliffe to produce the minutes within 10 days of the meeting. Director Steffes stated that he had discussed this matter with Ms. Bobbitt last Friday.

Director Marks requested a workshop meeting to review all of the consultant contracts. Mr. Conner stated that he will canvass the Board as to their availability for such meeting.

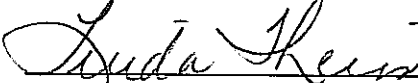
Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Attorney's Report.

MISCELLANEOUS MATTERS

Mr. Polley reminded the Board that the next regular meeting of the Board is scheduled for Tuesday, June 17, 2008, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 17th day of June, 2008.


Secretary, Board of Directors

(DISTRICT SEAL)

