

MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
February 17, 2009

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, February 17, 2009, 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; Mr. L. Carlin Short, II, financial advisor for the District; Mr. David Aguilar of Republic Services, Inc. ("Republic"), residential account manager of garbage collections for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Erich Peterson, P.E. and Joshua Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Danny Staab and Ms. Claudine Pacioni of SouthWest Water Company ("SWWC"), operators for the District; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, LP 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; Mr. Perry Senn of Peron Development, Inc., developer of Bella Sera, Villages of Bridgestone and Northcrest Village subdivisions; Mr. Jim West of 2920 Kuykendahl Partners, developer of Springbrook Plaza; Mr. Nick Luton of Centex Homes, developer of the Spring Terrace subdivision; Lieutenant Ron Glaze of the Harris County Precinct 4 Constable's Office; Ms. Beth Carter, a resident of the Springbrook subdivision; Ms. Nicole Barthelemy, a resident of the District; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

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 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.

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 following Consent Agenda items: 1) approve the minutes of the regular meeting of January 20, 2009; 2) approve the following change orders and pay estimates: a) Change Order No. 3 in the amount of \$3,183.28 from the Texas Department of Transportation in connection with the construction of the FM 2920 box culverts; b) Pay Estimate No. 2 in the amount of \$207,636.82 from Gonzalez Construction Enterprise, Inc. in connection with the construction of the Gosling Road waterline and sanitary sewer extension; c) Pay Estimate No. 7 in the amount of \$41,362.88 from Excalibur Excavation, L.P. in connection with the construction of drainage channel and detention facilities to serve Northcrest Village, Section 7; and d) Pay Estimate No. 1 in the amount of \$757,833.79 and Change Order No. 1 in the amount of \$88,057.00 from LEM Construction, Inc. in connection with the construction of the Wastewater Treatment Plant expansion.

**HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT**

Lieutenant Glaze then reviewed the Constable's Report for the month of January, a copy of which is attached hereto. Lieutenant Glaze reported that one (1) of the morning deputies has been assigned as an investigator in the Windrose subdivision. Mr. Conner stated that he will send information regarding the deputy's replacement to the Board.

Lieutenant Glaze then exited the meeting.

**REGULAR AGENDA**

**TAX ASSESSOR/COLLECTOR'S REPORT**

The Board next recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of January, a copy of which is attached hereto. Ms. Hall then noted that an additional \$500,000 of 2008 tax collections had been received since the preparation of her report. Ms. Hall went on to state that no other changes had occurred since she had submitted the electronic version of her report to the Board prior to the meeting.

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

**DELINQUENT TAX ATTORNEY'S REPORT**

The Board noted that they did not receive a copy of the Delinquent Tax Attorney's Report prior to the meeting. Ms. Hall distributed copies for the Board's review, a copy of which 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 Delinquent Tax Attorney's Report.

#### RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2009 TAX YEAR

Ms. Hall then explained that last year, the Board granted a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and a 10% general residential homestead exemption. 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 adopt a Resolution Concerning Exemptions from Taxation for 2009 Tax Year (the "Resolution"), thereby granting a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and granting a 10% general residential homestead exemption for the 2009 tax year. A copy of the Resolution is attached hereto.

#### RESOLUTION IMPLEMENTING PENALTY ON 2008 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Mr. Polley then explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2008 real property taxes that remain delinquent as of July 1, 2009 and an additional 20% penalty on 2008 personal property taxes that remain delinquent as of April 1, 2009, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Resolution Implementing Penalty on 2008 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

#### GENERAL MANAGER'S REPORT

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

Concerning recent break-ins at the Sewage Treatment Plant (the "STP"), Mr. Conner informed the Board that five (5) teenagers had been apprehended for vandalizing the STP. Mr. Conner further reported that the STP received toxic waste on or around February 4, 2009, and that SWWC has been working to re-establish the proper functioning of the STP.

Ms. Hall then exited the meeting.

Mr. Conner next reported that Mr. José Gross and the owner of the Albertson's Center have been named in a lawsuit in which several residents of the Stone Forest subdivision claim that their backyards have been damaged due to failure of the detention pond slope. Mr. Conner noted that he and Mr. Peterson may be subpoenaed as witnesses if the lawsuit goes to trial. Mr. Polley then advised that in the event that the District is implicated in the lawsuit, the Board should engage a litigation attorney. Mr. Polley recommended Mr. J. Brad Whitus with Porter & Hedges, LLP to represent the District on this issue, if necessary. 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 engage Mr. Whitus, if Johnson Radcliffe deems it necessary.

Mr. Conner then reported that Mr. Aguilar has not yet submitted a proposal from Republic for automated trash collection and changing the garbage collection schedule to four (4) days a week within the District. Mr. Conner stated that he will circulate the proposal to the Board as soon as he receives it. Director Steffes stated that he has seen a supervisor in the District checking the garbage collection routes.

Mr. Conner next reported that the Strategic Partnership Agreement list of businesses has been updated, as requested by the City of Houston. Mr. Conner noted that SWWC will be monitoring the list on an ongoing basis as they conduct grease trap inspections.

Mr. Conner reported that he had obtained three (3) proposals for the installation of a wooden fence at Water Plant No. 3 ("WP No. 3"), copies of which are attached hereto. Mr. Conner stated that the low bid was submitted by James Peacock in the amount of \$8,745.00. 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 accept the bid of James Peacock for the installation of a wooden fence at WP No. 3.

Mr. Conner then reported that he has requested cost estimates to install pipe gates and bollards at six (6) potential access points to the Upper Seals Gully maintenance berm to prevent vehicular traffic on the berm, at an estimated cost of between \$10,000 and \$15,000. 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 Mr. Conner to review the costs estimates and to make arrangements with the lowest bidder to install the pipe gates and bollards on the Upper Seals Gully maintenance berm.

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 General Manager's Report.

#### DIRECTOR'S INSPECTION REPORT

Director Theiss then reported that she and Mr. Staab had inspected the District's facilities on February 13, 2009. A copy of Director Theiss' inspection report is attached hereto. Director Theiss reported that all of the plant sites need mowing and application of ant control chemicals.

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 Director's inspection report.

#### BOOKKEEPER'S REPORT AND BUDGET ADOPTION

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 stated that no changes had been made to the Bookkeeper's Report since it was emailed out to the Board and consultants several days prior to the meeting.

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 and the payment of the checks reflected therein.

### OPERATOR'S REPORT

Ms. Pacioni next presented the Operator's Report for the month of January to the Board, including the termination list, previously distributed to the Board, copies of which are attached hereto. Mr. Staab explained that the District's four (4) month water accountability ratio was 96%, the monthly accountability ratio was 96.7%, there were 19 sludge hauls during the prior month, and there are currently 5,255 connections in the District. Ms. Pacioni then distributed a new sample billing summary for the Board's review, a copy of which is attached hereto. Ms. Pacioni further reported that SWWC will introduce a new customer billing with the next 90 days.

Mr. Staab reported that construction of the North Harris County Regional Water Authority's water transmission line to serve North Harris County Municipal Utility District No. 30 is near completion, and that SWWC will close the interconnect at WP No. 3 once the line is operational.

Ms. Pacioni reported that the SWWC customer service telephone number on the District's website is incorrect.

Mr. Conner noted that he will discuss surveillance alternatives at the District's plant sites at the next workshop meeting. Director Steffes asked Mr. Conner to see if any grant money is available through the Department of Homeland Security for surveillance equipment.

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 and as discussed earlier in the meeting.

Mr. Aguilar then exited the meeting at 7:45 p.m.

### BOND SALE AGENDA

OPEN AND ACCEPT BIDS FOR \$12,545,000 BRIDGESTONE MUNICIPAL UTILITY DISTRICT WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2009-A (THE "SERIES 2009-A BONDS")

Mr. Short first distributed a summary of the three (3) bids that were received earlier in the day for the purchase of the District's Series 2009-A Bonds, a copy of which is attached hereto. Mr. Short reported that Standard & Poor's had assigned a rating of A- on the Series 2009-A

Bonds. Mr. Short explained that earlier in the day, he had to notify bidders that the Series 2009-A Bonds were designated as "Qualified Tax-Exempt Obligations," due to President Obama signing the American Recovery and Reinvestment Act earlier in the day. Mr. Short then recommended that the Board accept the bid of Wachovia Securities, LLC ("Wachovia") to purchase the Series 2009-A Bonds at a cash price of \$12,169,650, which represents 97% of the par value at a net effective interest rate of 5.70821%. Mr. Short stated that there are three (3) term bonds.

Mr. Polley noted that the estimated interest rate in the Bond Application Report submitted to the Texas Commission on Environmental Quality (the "TCEQ") had been 5.65% and, therefore, the District will need to notify the TCEQ of the higher interest rate on the Series 2009-A 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 accept the bid of Wachovia for the purchase of the Series 2009-A Bonds, and to authorize preparation of the interest rate letter to the TCEQ.

#### REVIEW AND APPROVE DOCUMENTS FOR SALE OF THE SERIES 2009-A BONDS

Mr. Polley then stated that he would review and explain agenda item nos. 2, 3, 4, 5, and 6 and encouraged the Board to ask any questions they may have on these items. Mr. Polley went on to explain that the procedures at tonight's meeting are done to comply with all of the statutory requirements applicable to municipal utility districts for the issuance of bonds. Mr. Polley stated that the Bond Order is a contract between the District and the bondholders, and noted that the Bond Order will be finalized to include the details of the sale and delivery of the Series 2009-A Bonds in order to be submitted with the transcript of bond proceedings of the Series 2009-A Bonds.

Mr. Polley next explained that Mr. Short will insert the details of the sale of the Series 2009-A Bonds and prepare the Official Statement for printing and distribution by the end of the week.

Mr. Polley went on to explain that the General Certificate is a summary of the District's history and outlines the authority by which the District issues the Series 2009-A Bonds. Mr. Polley explained that the Signature Identification and No-Litigation Certificate is also included in the Texas Attorney General's (the "AG") transcript of proceedings in connection with the bond issuance and will be dated the date of the AG's approval of the bond transcript. Mr. Polley then stated that the Certificate as to Tax Exemption, along with the Bond Counsel opinion, certifies that the proceeds from the sale of the Series 2009-A Bonds are tax-exempt and will not be used contrary to the provisions of the Internal Revenue Code. Mr. Polley then noted that The Bank of New York Mellon Trust Company, N.A. has been appointed as the paying agent/registrars for the Series 2009-A Bonds. Mr. Polley next presented for Director Steffes' execution a letter to the AG and Comptroller of Public Accounts regarding instructions for the delivery of the Series 2009-A Bonds.

Mr. Polley went on to explain that the closing for the Series 2009-A Bonds is tentatively scheduled for Thursday, March 26, 2009, subject to the timing of receiving approval of the Series 2009-A Bonds from the AG's office. Mr. Polley then requested that the Board authorize the President or Vice President and the Secretary or Assistant Secretary of the Board to execute any and all other documents necessary for the issuance and delivery of the Series 2009-A Bonds.

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: 1) adopt the Order Authorizing Issuance of the Series 2009-A Bonds; 2) approve and authorize the distribution of the Official Statement; 3) approve and authorize the execution of the General Certificate; 4) approve and authorize the execution of the Certificate as to Tax Exemption; 5) approve and authorize the execution of the Signature Identification and No-Litigation Certificate; 6) approve and authorize the execution of the letters to the AG's office and Comptroller of Public Accounts in connection with the issuance and delivery of the Series 2009-A Bonds; and 7) approve and authorize execution of all other documents and take all other actions necessary for the issuance and delivery of the Series 2009-A Bonds. Copies of each of the bond documents outlined above are attached hereto.

#### AUTHORIZE AUDITOR TO PREPARE AGREED-UPON PROCEDURES ("AUP") AUDIT OF REIMBURSABLES

Mr. Polley presented an engagement letter from McCall, Gibson & Company, PLLC ("McCall Gibson") for the preparation of the AUP audit of reimbursables to Centex Homes, MHI Partnership, Ltd., Riverway Properties, KB Home Lone Star Inc., Bridgestone Development Company, Inc. and Westwego Realty Group, LLC, a copy of which is attached hereto. 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 engage McCall Gibson to prepare the AUP.

Mr. West then exited the meeting at 8:00 p.m.

#### ATTORNEY'S REPORT

Mr. Polley next presented a proposed adjustment to the hourly rates for legal services, a copy of which is attached hereto. The Board concurred that the matter would be discussed further at the workshop meeting on February 24, 2009.

Director Steffes noted that he did not want to have any special meetings during March due to his involvement with the Houston Livestock Show and Rodeo.

Mr. Polley reported that action on the proposed Order Establishing Identity Theft Prevention Program (the "Program") would again be deferred until SWWC has completed its review of the Program. However, Mr. Polley reminded the Board that the Federal Trade Commission requires the Program to be implemented by May 1, 2009.

Mr. Polley and Mr. Short then exited the meeting at 8:10 p.m.

ENGINEER'S REPORT

Mr. Peterson then stated that there are no changes to the Engineer's Report that was previously distributed to the Board prior to tonight's meeting. A copy of the Engineer's Report is attached hereto.

Mr. Peterson distributed copies of two (2) font styles for the Klein Oak and Klein Collins high school signs to be painted on the elevated storage tank (the "EST"), copies of which are attached hereto. The Board preferred the Bank Gothic font. Mr. Peterson noted that the colors for the signage had been approved by the schools. Mr. Peterson reported that Jones & Carter is still working on the design for additional lighting at the EST.

Ms. Pacioni then exited the meeting at 8:15 p.m.

REVIEW UPDATED FEASIBILITY SERVICE/ANNEXATION STUDY FOR THE MY FAMILY VET 2.278-ACRE TRACT OF LAND

Mr. Peterson distributed a copy of the updated feasibility study for the My Family Vet 2.278-acre tract located adjacent to the Northside Christian Church on Kuykendahl Road, a copy of which 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 Engineer's Report.

MISCELLANEOUS MATTERS

Ms. Dold then reminded the Board that its next regular meeting is scheduled for Tuesday, March 17, 2009, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 17<sup>th</sup> day of March, 2009.

  
Secretary, Board of Directors

