

NO. 2003-2

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
February 10, 2003

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 Baptist Church, 21825 Bridgestone Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Monday, February 10, 2003, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	-	President/Investment Officer
Brad Dill	-	Vice President
Robert J. Joyce	-	Secretary
Jim Marks	-	Assistant Secretary
Skip Warren	-	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were 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. Pat Hogan, P.E. and Erich Peterson of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Mr. Robert Hudson of Texas Investment and Development Company, developer of the Bridgestone Lakes and Gosling Pines subdivisions within the District; Mr. Erik Haaland of Terra Prima LTD, development manager for RH of Texas Limited Partnership, developers of the Bridgestone Ranch and Stone Forest subdivisions within the District; Mr. Frank Fitzgerald, purchaser and developer of a portion of the Schoessow property; Mrs. Frank Fitzgerald; Mr. David Harrison of Sowell & Co., developer of Rhodes Landing within the District; Mr. Jim West of West/Hallbeck Investments and Mr. Fred Magee of FTM Realty, representing the purchasers of a 9.9-acre commercial tract within the District; Mr. Gary Palmer, a resident of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, attorneys for the District. Copies of the sign-in sheets for those in attendance at the meeting are 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.

PUBLIC COMMENT

No public comments were given.

APPROVAL OF MINUTES

The Board first considered approval of the minutes of the special meeting of April 16, 2002. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of April 16, 2002, as written.

The Board next considered approval of the minutes of the regular meeting of January 13, 2003, previously distributed to the Board. A correction was noted on page 3 of such minutes. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of January 13, 2003, as corrected.

The Board next considered approval of the minutes of the executive session of January 13, 2003. A correction was noted on page 1 of such minutes. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the executive session of January 13, 2003, as corrected.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall next presented the Tax Assessor/Collector's Report for the month of January with the Board, a copy of which is attached hereto. Ms. Hall reported that 91% of the District's 2002 taxes had been collected as of today's date, rather than the 79.9% reflected on the Report. Upon motion by Director Joyce, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report and authorize payment of the checks reflected therein.

Ms. Hall requested that the tax exemptions for 2003 be included on the March meeting agenda.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Hall noted that regarding item no. 10 on page two (2) of such report, the property owners of 4819 Bridgeview Lane had requested a refund of their penalty and interest. Ms. Hall then noted that with regard to item no. 11 concerning the property at 4535 Tangle Creek Lane, such tract had not been tagged for termination as directed at the January meeting. Director Warren questioned why the service had not been terminated as previously authorized by the Board. Ms. Hall stated that the delinquent tax attorney had thought that the tax payments were being made at the tax office. Ms. Hall added that Aqua Services will be notified to terminate service to the account. Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to deny the request to refund penalty and interest regarding the account at

4819 Bridgeview and to terminate service at 4535 Tangle Creek Lane. The Board directed Mr. Almaguer to tag the Tangle Creek account for termination on Tuesday, February 11, 2003.

DEVELOPER REPORTS

Mr. Haaland reported that the electrical power and phone lines had been installed in Stone Forest, Sections 2 and 3 and that they were moving forward with the development of Section 4. Director Dill asked if the resident's drainage issue had been resolved in Stone Forest. Mr. Haaland reported that the matter would be resolved this week.

Mr. Harrison then entered the meeting at 6:23 p.m. Mr. Harrison reported that all of the utilities had been installed in Rhodes Landing, that the detention pumps were in operation, that 58 lots had been taken down and that 25 homes had been sold to date.

Mr. Hudson then reported that the wet weather conditions have delayed the paving work in Bridgestone Lakes, but noted that the contractor has completed the pilot channel work in connection with the Bonds Gully drainage improvements from the 54-inch culvert to Shalom Creek Lane (approximately 550 feet). Mr. Hudson reported that there is an obstruction somewhere in the channel that they are trying to locate. Mr. Hudson noted that the residents that abut the channel were notified that the work was being performed. Mr. Hudson then reported that the contractor opened and cleaned out the two (2) 2' by 2' box culverts beneath Bridgestone Lane. Mr. Hogan added that the outfall ditch was now cleared out at Bridgestone Lane.

Mr. Hudson then requested that the Board consider proceeding with the Phase 1 permanent improvements to Bonds Gully. Mr. Hogan stated that he will prepare updated cost estimates for such improvements for review by the Board at the March meeting.

Director Dill then inquired as to the status of the easement acquisitions for the Bonds Gully project. Mr. Hudson noted that he still needed to acquire easements from Thomas Scully and Al Bucchino. Mr. Hudson stated that Mr. Scully had consented to granting a drainage easement, but that to date, Mr. Bucchino was not willing to provide an easement. The Board instructed Ms. Bobbitt to prepare a letter to Mr. Bucchino concerning the acquisition of all drainage easements.

Director Warren then asked where the contractor was putting the dirt being removed for the excavation of the Bonds Gully pilot channel. Mr. Hudson responded that the dirt was being placed elsewhere on the driving range property as requested and agreed to by Mr. Grundmeyer.

Mr. West reported that the Agreement for Financing Facilities and the Annexation and Service Agreement by and between 2920-Kuykendahl Partners, Ltd. and the District regarding the 9.9-acre tract had been executed and provided to Ms. Bobbitt for execution by the Board.

Mr. Fitzgerald then reported that he had closed on the purchase of a 53-acre tract of land with the Schoessow family. Mr. Fitzgerald added that he was assigning the rights under the utility commitment letter, the Agreement for Financing of Facilities and the Annexation and Service Agreement with the District to A-K-S 57 NEC FM 2920-Kuykendahl, L.P. and requested the Board's approval of such assignment. Upon motion by Director Joyce, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously

to approve and acknowledge such assignments, copies of which are attached hereto. Ms. Bobbitt noted that such action would be ratified at the March meeting since it was not on tonight's agenda.

Mr. and Mrs. Fitzgerald then exited the meeting at 6:35 p.m.

AGREEMENT FOR FINANCING OF FACILITIES REGARDING 2920-KUYKENDAHL PARTNERS, LTD.

Ms. Bobbitt next presented the Agreement for Financing of Facilities (the "Agreement") for the 9.9-acre 2920-Kuykendahl Partners, Ltd. tract being developed by Mr. West and briefly reviewed such Agreement with the Board. Ms. Bobbitt explained that the Agreement includes some of the same provisions included in the agreements that the District has with Milestone Properties, Inc. ("Milestone") and Proguard Mini Storage LTD ("Proguard"), due to the fact that the Milestone, Proguard, KB Home and A-K-S-L 36 2920, L.P. tracts will all share in the costs of constructing the Kuykendahl trunk utility lines and Lift Station No. 5 to serve such tracts.

Upon motion by Director Dill, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve and authorize execution of the Agreement, a copy of which is attached hereto.

DIRECTOR'S INSPECTION REPORT

Director Dill then presented his Director's Inspection Report, a copy of which is attached hereto. Director Dill reported that he and Mr. Almaguer had inspected the District's facilities on February 7th and noted that in general everything looked great and was running smoothly.

Director Dill reported that at Water Plant No. 1, the new ground storage tank (the "GST") is up and has been filled with water. Director Dill stated that the pine tree that overhangs the access ladder on the new tank has not yet been taken down. Mr. Almaguer reported that the GST contractor will not be removing the tree due to his high cost estimate and, therefore, he had obtained a cost estimate from J&L in the amount of \$450 to remove the tree.

Director Dill next reported on Water Plant No. 3 and stated that there appears to be a small leak along the north side of the GST and that Aqua Services was investigating the source of the leak.

Concerning the Sewage Treatment Plant (the "STP"), Director Dill reported that the baffle for the chlorine contact basin has been fabricated and that Aqua Services will proceed with installation within the next week.

Upon motion by Director Joyce, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report and to authorize the removal of the tree at Water Plant No. 1.

Ms. Dold then reminded Director Steffes that he was scheduled to inspect the District's facilities for the months of March and April.

OPERATOR'S REPORT

Mr. Almaguer then reviewed the Operator's Report with the Board, a copy of which is attached hereto. Mr. Almaguer reported that the water accountability ratio for the month was 91.9%, with a four (4) month average of 92.2%, and that there were ten (10) sludge hauls during the month. Mr. Almaguer reported that there are currently 2,294 connections in the District, including 34 builder accounts and 26 vacancies. Mr. Almaguer noted that there had been no excursions at the STP during the prior month.

Messrs. West and Magee then exited the meeting at 6:45 p.m.

Director Warren then asked what could be done to improve the water accountability. Ms. Bobbitt asked Mr. Almaguer if builders could be using water without a meter. Mr. Almaguer replied that all of the builders have temporary meters for their water usage. Director Joyce then commented on the high usage of water by Bridgestone Plaza compared to last month's usage. Mr. Almaguer stated that he would investigate such matter.

Mr. Almaguer next reported that the cleaning of the chlorine contact basin, the installation of the baffle around the transducer and the installation of two (2) additional air lines, previously authorized at the January meeting, would be done on Monday, February 17, 2003, and should be completed by 4:00 or 5:00 p.m.

Director Marks then entered the meeting at 6:50 p.m.

Mr. Almaguer then reported on his inspection of the sinkhole located in the ditch near the Landell facility and Kuykendahl Road. Director Marks noted that he had observed the ditch being full of water following a rain. Mr. Almaguer reported that the sinkhole void crosses under the road between a sewer line and the road paving. Mr. Almaguer stated that he had dye tested the sewer line and confirmed that the line is holding water. Director Marks suggested that the ditch be inspected during a heavy rain to try to locate the problem. Director Steffes asked Jones & Carter to also look at the problem.

Ms. Hall then exited the meeting at 6:53 p.m.

Upon motion by Director Warren, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report and the service terminations to the delinquent accounts.

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 and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon reported that check no. 6356 in the amount of \$30,000 was the payment to Mr. Grundmeyer for the Bonds Gully drainage easements obtained from Mr. Grundmeyer. Ms. Jarmon stated that she would determine whether the \$30,000 could be reimbursed to the operating account from escrowed funds previously designated for easement acquisitions.

Ms. Jarmon also presented a spreadsheet of developer payments in connection with the Kuykendahl utilities and Lift Station No. 5 contracts, a copy of which is attached hereto.

Upon motion by Director Warren, seconded by Director Dill, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Bookkeeper's Report and the payment of the checks reflected therein.

Mr. Almaguer then noted that Luce Bayou Municipal Utility District is interested in purchasing the District's old autodialer. The Board authorized Mr. Almaguer to proceed with such sale.

DISCUSS STATUS OF REFUNDING BOND ISSUE

Ms. Bobbitt reported that she had submitted her comments to Mr. Carlin Short regarding the Preliminary Official Statement (the "POS") for the District's proposed \$4,880,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Refunding Bonds, Series 2003 (the "Refunding Bonds"). Ms. Bobbitt stated that Mr. Short will be forwarding the POS to the bond insurers in the next several days, and noted that it may be necessary to schedule a special meeting of the Board to sell the Refunding Bonds once a commitment for bond issuance is received. Ms. Bobbitt noted that Mr. Short could not attend tonight's meeting due to illness.

DISCUSS PROPOSED SEVENTH (7TH) BOND ISSUE

Mr. Hogan reported that Jones & Carter is continuing to work on the engineering report for the District's seventh (7th) bond issue and should have the bond application ready for review by the Board at the March meeting.

ENGINEER'S REPORT

Mr. Hogan then presented the Engineer's Report to the Board, a copy of which is attached hereto.

Concerning the Albertson's detention pond, Mr. Hogan reported that his letter to Mr. Gross was returned due to an address that was no longer valid. Mr. Hogan stated that he would contact with Aqua Services to obtain a valid address for Mr. Gross.

Mr. Hogan next reported that a response letter was sent to Mr. Sam Talje of the Texas Department of Transportation ("TxDOT") regarding the FM 2920 drainage issues and requesting permission to close the two (2) culverts that allow drainage to flow under FM 2920. Mr. Hogan noted that a response has not yet been received from TxDOT concerning such matter.

Director Marks commented that after the last rain and during the time Rhodes Landing was pumping detention water, there was no flooding at Water Plant No. 2 and on the Bridgestone Baptist Church property, but that the property where the Purple Heart collection truck is located flooded and held water. Director Marks stated that he believed the flooding could be solved by cleaning out the ditch along FM 2920. Mr. Hogan explained that it was not the District's responsibility to do the work and stated that as soon as the construction contract for the

Northwoods Catholic School ("Northwoods") utilities is finalized, the contractor will clean out the ditch down to the point where he tied into the sanitary sewer line. The Board asked Mr. Hogan to urge the contractor to do the clean out prior to the Board's March meeting.

Mr. Hogan next reported that the paving contractor for Bridgestone Lakes had moved on-site and estimated that the paving would be completed next month if the wet weather conditions improve. Mr. Hudson then asked where the contractor was going to place the dirt and silt that is cleaned out of the FM 2920 ditch, noting that if the dirt was piled on the side of the ditch, the dirt would quickly fall back into the ditch. Mr. Hogan stated that he would talk to the contractor about where the dirt should be placed. Mr. Hogan stated that the engineers had been trying to contact the utility contractor weekly by phone on numerous occasions and that he would send the contractor a letter concerning the ditch clean-out matter.

Concerning the Bonds Gully drainage improvements, Mr. Hogan reported that Preventive Services Corporation ("Preventive Services") was awarded the contract to construct the pilot channel and that the contractor had begun such work. Mr. Hogan stated that, as requested by the Board at the January meeting, Preventive Services had also submitted a proposal to clean out the box culverts under Bridgestone Lane in the amount of \$3,050 and that such work had been authorized by Director Steffes during the month.

Mr. Hudson then exited the meeting at 7:15 p.m.

Concerning Water Plant No. 1, Mr. Hogan reported that the new GST construction is nearly complete and presented Pay Estimate No. 7 for such project in the amount of \$11,160.09 for the Board's approval. Mr. Hogan noted that the remaining items to be done by Schier Construction Company ("Schier") were to recoat the new and existing piping, site grading and hydromulching. Mr. Hogan noted that Schier had submitted a proposal of \$600 to remove the tree overhanging the GST ladder, but that J&L will remove the tree for \$450.

Mr. Hogan then presented Pay Estimate No. 1 in the amount of \$84,371.94 (noting that the amount in his report was incorrect) from Triple B Construction in connection with the Kuykendahl Road/FM 2920 trunklines. A discussion ensued concerning adding 2920-Kuykendahl Partners, Ltd. and H.H. Estates, LP to the group of developers guaranteeing the construction cost of the Kuykendahl Road/FM 2920 trunklines and Lift Station No. 5. Ms. Bobbitt stated that she would work with the engineers to work out the details regarding such guarantees.

Director Steffes reported that Mr. Eby, engineer for Klein United Methodist Church (the "Church"), had contacted him last week regarding the possibility of the Church obtaining out-of-district water service from the District for fire protection and sanitary sewer service. Director Steffes added that he had referred Mr. Eby to Mr. Hogan concerning such matter. Mr. Hogan stated that sanitary sewer service was a problem at this time, but that when the Schoessow tract is developed, the District could provide sewer service to the Church property on a more cost effective basis. Mr. Hogan stated that he would further discuss the Church's requirements with Mr. Eby.

Mr. Hogan then presented Pay Estimate No. 3 in the amount of \$70,727.13 from Conn's Inc. in connection with the Lift Station No. 5 construction and recommended payment of such pay estimate. Mr. Hogan stated that to date, the District had paid \$186,154.20 in connection with such contract, which leaves \$13,845.80 of the \$200,000 that the District had previously agreed to pay on the Lift Station No. 5 construction costs.

Concerning Northwoods, Mr. Hogan reported that permanent electrical service had not yet been received from Center Point Energy for Lift Station No. 4.

Mr. Hogan next reported that Jones & Carter will submit a report to the State Energy Conservation Office regarding the District's intent to reduce its electricity consumption by five percent (5%) by the March 1st deadline.

Mr. Hogan then stated that he added a new item to the Engineer's Report entitled "Construction Plan Reviews" concerning the commercial development activity in the District. Mr. Peterson reported that he had received two (2) sets of plans for review, one (1) from Papa John's and another for an additional food establishment.

Mr. Hogan then reviewed the updated Construction Project Timeline (the "Timeline") with the Board, a copy of which is attached hereto. Mr. Peterson reported that an extra week had been added to the Northwoods project for the finalization of Lift Station No. 4 and the hydromulching work to be done. The Board then suggested that Jones & Carter only provide an updated Construction Project Timeline when there are changes on the Timeline.

Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, authorize payment of Pay Estimate No. 7 for the Water Plant No. 1 project in the amount of \$11,160.09, authorize payment of Pay Estimate No. 1 for the Kuykendahl Road/FM 2920 trunkline project in the amount of \$84,371.94, and authorize payment of Pay Estimate No. 3 for the Lift Station No. 5 project in the amount of \$70,727.13.

DISCUSSION REGARDING PROPOSED MEETING FACILITY WITHIN THE DISTRICT

The Board determined that further discussion of the matter would be deferred until the Board has hired a General Manager.

RATIFY APPROVAL OF PRELIMINARY OFFICIAL STATEMENT

Ms. Bobbitt then stated that at the January meeting, the Board had adopted an Order Approving and Authorizing Distribution of Preliminary Official Statement for 2003 Refunding Bonds, but that such item had not been on the agenda and, therefore, ratification of such action was necessary. Upon motion by Director Dill, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to ratify approval of the Order Approving and Authorizing Distribution of Preliminary Official Statement.

REVISED SCHEDULE OF HOURLY RATES FOR 2003

Mr. Hogan then reviewed with the Board the Jones & Carter 2003 Schedule of Hourly Rates, a copy of which is attached hereto. Mr. Hogan noted that although Jones & Carter had increased several rate categories to meet market demands, the hourly rate for work done by Mr. Peterson and himself had not increased.

Director Marks asked if Jones & Carter was not satisfied with the \$100,000 they made last year in connection with the engineering services performed for the District and the peripheral work related to the District. Mr. Hogan stated that he did not view the matter in that way and briefly explained how the hourly rates and the percentage fee on construction work is calculated. Director Marks stated that it seemed that the hourly rate increases proposed by Jones & Carter were geared towards the work being performed on District projects by Jones & Carter. Mr. Hogan responded that such was absolutely not the case and explained that the Schedule of Hourly Rates will be applied to all of the Jones & Carter projects and clients. Director Marks stated it was his understanding that Jones & Carter was required to get Board approval of the new rates under the terms of its contract with the District. Ms. Bobbitt stated she would review the contract for such provision, but that she did not recall such provision being included in the Jones & Carter contract. Director Steffes interjected that the rates reflected on the 2003 Schedule of Hourly Rates are typical to what he has seen from other engineering firms he deals with in his work. Director Dill stated that the Jones & Carter's rates are in line with inflation and in the range of similar engineering firms with which he is familiar. Director Dill noted that Messrs. Peterson and Hogan perform 90% of the work done for the District and stated he was pleased that their rates had not changed. Mr. Hogan stated that Mr. Peterson is classified as an Engineer III and, in order for him to advance to Engineer IV, he will need to be licensed, which would take an additional one-and-a-half years. Mr. Hogan stated he would review several months of Jones & Carter invoices in response to Director Marks' statements.

ATTORNEY'S REPORT

Ms. Bobbitt reported that she would be preparing several Annexation and Service Agreements and Agreements for Financing of Facilities for the Board's approval at the March meeting. Ms. Bobbitt also reported that her office had been monitoring the incoming resumes for the proposed General Manager position and had provided each of the Board members with a complete package of such resumes.

MISCELLANEOUS MATTERS

Director Steffes stated that he wanted to discuss the feasibility of the District assuming responsibility for constable security service agreements for Bridgestone and Bridgestone West at the March 10, 2003 meeting. Ms. Bobbitt stated she would add such item to the agenda.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 7:57 p.m. and announced that the Board would convene in executive session pursuant to V.T.C.A. Government Code, Chapter 551, as amended, specifically Section 551.074, to discuss personnel matters. All of the members of

the Board, Messrs. Hogan and Peterson and Ms. Bobbitt and Ms. Dold attended the executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 8:23 p.m., at which time the Board took the following action.

Upon motion by Director Warren, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to designate the following list of eight (8) applicants for the General Manager position, including Gerald "O.J." Armstrong, Jim Burke, Gene Conner, Joe Ice, Howard Jacobson, Jack Murphy, Ed Shackelford and Bill Sparks; to schedule two (2) special meetings of the Board on Tuesday, February 19th, and Wednesday, February 20th, at the District's STP at 7:00 p.m. to conduct General Manager interviews; and to schedule four (4) half-hour interviews each night with the candidates.

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

PASSED, APPROVED AND ADOPTED this 10th day of March, 2003.

/s/Robert J. Joyce

Secretary, Board of Directors

(DISTRICT SEAL)

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