

2007-9  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
May 2, 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 special session, open to the public, at the Bridgestone Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Wednesday, May 2, 2007, at 7:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President/Investment Officer
Jim Marks	Vice President
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, except Director Schkade, thus constituting a quorum. Director Schkade monitored the meeting by conference call. 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; Mr. Noel Barfoot of McCall Gibson & Company, PLLC ("McCall Gibson"), auditors for the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), attorneys for the District.

WHEREUPON, the meeting was called to order and evidence was presented that public notice of the meeting had been given in compliance with the law. The posted notices of the meeting are attached hereto.

REVIEW/APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

Mr. Barfoot then reviewed with the Board the draft audit report for the fiscal year ended December 31, 2006 (the "Audit"), a copy of which is attached hereto. Mr. Barfoot pointed out that with all of the development and construction activity in the District, this audit was large and difficult to prepare. Mr. Barfoot noted that there had been 830 taps in the District during the past fiscal year. Mr. Barfoot stated that approximately \$23,800,000 in construction/development costs has been paid by developers on behalf of the District, and that \$9,164,577 has been reflected as being due to developers for projects completed as of the fiscal year end.

Director Warren then asked about the water accountability ratio of 85.8% reflected on page 40 of the draft Audit. Mr. Barfoot noted that that ratio did not take into account the water that is used for flushing lines or other similar activities in the District.

Director Steffes then asked why Mr. Barfoot had not reflected information about the District's joint effort with Harris County (the "County") in connection with the proposed Hike and Bike Trail. Mr. Barfoot explained that although the Board has earmarked maintenance funds to be used for parks/recreation, there had not been any expenditure of funds for such purpose during the prior fiscal year.

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 Audit, to authorize the President to execute the Annual Filing Affidavit and to authorize the District's attorney to file the Audit and Affidavit with the appropriate governmental authorities.

Mr. Barfoot then explained that in October 2006, the American Institute of Certified Public Accountants issued the Statement on Auditing Standard No. 112 ("SAS 112"), which included a requirement for auditors to issue a management letter on audits performed after December 15, 2006. A copy of the management letter regarding SAS 112 and its applicability on the District is attached hereto. Mr. Barfoot noted that McCall Gibson has issued a management letter to the District, along with the District's audit report, in accordance with SAS 112. Mr. Barfoot noted that the management letter does not require the District to make any operative changes. Director Steffes then inquired if SAS 112 was because of the downfall of Enron and Arthur Andersen. Mr. Barfoot stated that almost everything is fallout from the demise of Enron and Arthur Andersen. Ms. Bobbitt then asked if there will be other SAS requirements coming out in the future that will impact utility districts. Mr. Barfoot responded that SAS 104 through 111, which deal with risk assessment standards, will take effect at the end of 2007. Ms. Bobbitt stated that she would like to propose several revisions to the SAS 112 management letter. Mr. Barfoot stated that he would wait for her comments before finalizing the management letter.

Director Steffes then asked when McCall Gibson would conduct the next Public Investment Act training seminar. Mr. Barfoot stated that the next training seminar would be offered on Saturday, September 29, 2007. Ms. Jarmon noted that investment training will also be offered on Thursday, June 21, 2007, at the Association of Water Board Directors – Texas Annual Conference in Corpus Christi. Ms. Jarmon then suggested that the Board could appoint her as the District's investment officer if Director Steffes did not want to take the investment training. The Board concurred with Ms. Jarmon's suggestion. Ms. Bobbitt noted that an item will be placed on the May 15<sup>th</sup> agenda to designate Ms. Jarmon as the District's investment officer.

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

ADOPT AMENDED RESOLUTION AUTHORIZING APPLICATION TO TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (THE "TCEQ") FOR APPROVAL OF PROJECT AND EIGHTH ISSUE OF BONDS ("AMENDED RESOLUTION")

Ms. Bobbitt then reported that Mr. Justin Taack of the TCEQ, who is reviewing the District's eighth bond application, has requested an Amended Resolution to reflect the increased amount of the District's bond issue. Ms. Bobbitt presented the Amended Resolution for the Board's approval upon execution. 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 adopt the Amended Resolution, a copy of which is attached hereto.

Extensive discussion then ensued concerning the inordinate amount of time it is taking Mr. Taack to complete review of the eighth bond application. The Board then requested that Ms. Bobbitt and Mr. Ed Shackelford, P.E. of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District, contact Mr. Taack and his supervisor, Mr. Rob Cummins, concerning the status of approval of the bond application and to try to schedule a meeting with them to discuss the eighth bond application.

TOUR OF ELEVATED STORAGE TANKS

Mr. Conner reported that the tour of the elevated storage tanks has been scheduled for Saturday, May 12, 2007, at 8:30 a.m.

MISCELLANEOUS MATTERS

Mr. Conner then reported that he has received a proposal from Mr. James B. Smith, President of JBS Water, Inc., to perform a water audit and accountability analysis for the District. Mr. Conner stated that he would report further on such matter at the May 15<sup>th</sup> meeting.

Director Warren then stated that he wanted an item on the May 15<sup>th</sup> agenda about the Lower Bonds Gully project. Director Steffes then asked Director Warren to provide more details and be more specific about the agenda item he is requesting. Director Warren stated that he wants to put a halt to the Lower Bonds Gully project south of Shalom Creek. Director Steffes then pointed out that the Board has not only previously approved the project at the March 6<sup>th</sup> meeting, but spent a great deal of time and money on the project. Ms. Bobbitt added that offer letters to Mr. Schindewolf and Mr. Jurischk had been authorized for the acquisition of the fee strips that are necessary for the project. Director Warren stated that he was still waiting for several questions to be answered and additional information to be provided by Jones & Carter and JRPB, as he requested at the special meeting held on March 6, 2007. Ms. Bobbitt stated she was not aware of any information Director Warren had requested from her office. Mr. Conner explained that at such meeting, the Board was advised that there are two (2) options for routing the Lower Bonds Gully drainage channel improvements, and that the Board had approved the option that cuts across the back of the Manis property, and that Jones & Carter has been working on such option and discussing the project with the County. Mr. Conner stated that he has also been in communication with Mr. Thomas Manis concerning the acquisition of 2.37 acres. Director Marks then asked about the offer letters, stating that he was not aware that anything was approved by the Board at the March 6<sup>th</sup> meeting. Mr. Conner reiterated that at the special

meeting on March 6<sup>th</sup>, the Board had authorized offers to be made for the Schindewolf and Jurischk properties and to authorize pursuit of the Manis property necessary for the re-alignment of Lower Bonds Gully and the County property that may be needed.

Director Warren then stated that he still wants the engineers to provide information relating to what the County paid for the tract the District is interested in. Mr. Conner stated that he was not aware that Jones & Carter still owed the Board some information and stated that he would contact Mr. Shackelford in the morning concerning such matter. Ms. Bobbitt stated that she would place an item on the May 15<sup>th</sup> agenda and review the minutes of the March 6, 2007 meeting regarding actions taken by the Board at such meeting.

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

PASSED, APPROVED AND ADOPTED this 19<sup>th</sup> day of June, 2007.



*Linda Klein*  
Secretary, Board of Directors

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