

2007-17  
MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
August 14, 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 Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, August 14, 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, 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; Messrs. Ed Shackelford, P.E. and Erich Peterson, P.E. and Ms. Dedra Ecklund, of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. L. Carlin Short, II, financial advisor 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 and the proposed Fanta tract; Mr. L. Carlin Short, II, financial advisor for the District; Mr. Noel Barfoot of McCall, Gibson & Company, PLLC ("McCall Gibson"), auditors 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.

OPEN AND ACCEPT BIDS FOR THE \$8,100,000 BRIDGESTONE MUNICIPAL UTILITY DISTRICT WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2007 (THE "SERIES 2007 BONDS")

Mr. Short first distributed a summary of the three (3) bids that were received earlier in the day for the purchase of the Series 2007 Bonds, a copy of which is attached hereto. Mr. Short then recommended that the Board accept the bid of Sterne, Agee & Leach, Inc. ("Sterne Agee") to purchase the Series 2007 Bonds at a cash price of \$7,857,028.45, which represents 97.0004% of

the par value and a net effective interest rate of 4.503212%. Concerning the net effective interest rate, Mr. Short noted that he projected for the bond application report a very conservative 6.5% rate for the Series 2007 Bonds.

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 accept the bid of Sterne Agee for the purchase of the Series 2007 Bonds.

Director Theiss then requested that Mr. Short provide further detail on the bids that were received on the Series 2007 Bonds. Mr. Short then reviewed the details of the information on the summary of bids.

#### REVIEW AND APPROVE DOCUMENTS FOR THE SALE OF THE SERIES 2007 BONDS

Ms. Bobbitt then stated that she would review and explain agenda item nos. 2, 3, 4, 5 and 7 and encouraged the Board to ask any questions they may have on these items. Ms. Bobbitt then explained 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. Ms. Bobbitt stated that the Bond Order is a contract between the District and the bondholders, and noted that the Bond Order would be finalized to include the details of the sale and delivery of the Series 2007 Bonds.

Ms. Bobbitt then stated that Mr. Short would insert the details of the sale of the Series 2007 Bonds and prepare the Official Statement for printing and distribution by the end of the week.

Ms. Bobbitt 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 2007 Bonds. Ms. Bobbitt explained that the Signature Identification and No-Litigation Certificate is also included in the Texas Attorney General's transcript of proceedings in connection with the bond issuance and will be dated the date of the Texas Attorney General's approval of the bond transcript. Ms. Bobbitt then stated that the Certificate of Tax Exemption, along with the Bond Counsel opinion, certifies that the proceeds from the sale of the Series 2007 Bonds are tax-exempt and will not be used contrary to the provisions of the Internal Revenue Code. Ms. Bobbitt then noted that the Board had previously appointed The Bank of New York Trust Company, N. A. as the paying agent/registrars for the Series 2007 Bonds. Ms. Bobbitt then presented a letter to the Texas Attorney General and Comptroller of Public Accounts regarding instructions for the delivery of the Series 2007 Bonds for execution by Director Steffes.

Ms. Bobbitt then noted that the closing for the bond issue is tentatively scheduled for Wednesday, September 26, 2007. Ms. Bobbitt 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 2007 Bonds.

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: 1) approve and authorize the distribution of the Official Statement; 2) adopt the Order Authorizing Issuance of the Series

2007 Bonds; 3) approve and authorize the execution of the General Certificate; 4) approve and authorize the execution of the No-Arbitrage Certificate; 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 Texas Attorney General and Comptroller of Public Accounts in connection with the issuance and delivery of the Series 2007 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 2007 Bonds. Copies of each of the bond documents outlined above are attached hereto.

Director Theiss then noted that she might not be in town the week the Series 2007 Bonds are scheduled to close.

AUTHORIZE MCCALL GIBSON TO PREPARE REIMBURSEMENT AUDIT FOR THE PROCEEDS OF THE SERIES 2007 BONDS

Mr. Barfoot then distributed McCall Gibson's engagement letter to prepare the reimbursement audit for the proceeds of the Series 2007 Bonds at an estimated cost of between \$7,500.00 and \$9,500.00, a copy of which is attached hereto. Mr. Barfoot reiterated that the District will be billed by the hour for the reimbursement audit work, and that the cost information reflected in the engagement letter is only an estimate. Mr. Barfoot went on to explain that the Texas Commission on Environmental Quality (the "TCEQ") requires the audit of the amounts that are reimbursable to the developers prior to paying any proceeds from the Series 2007 Bonds.

Director Marks then entered the meeting at 7:25 p.m.

Ms. Bobbitt further reported that the TCEQ must inspect and approve all projects being reimbursed from bond proceeds and, therefore, no funds can be released to the developers until the approval letters are received. Ms. Bobbitt further explained that the Office of the Attorney General now has up to 15 business days to review the bond transcript for approval of the bond issue.

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 authorize McCall Gibson to prepare the audit of reimbursables in connection with the District's Series 2007 Bonds.

Ms. Bobbitt then reported that Ms. Jarmon of Myrtle Cruz, Inc., bookkeeper for the District, would prepare a check in the amount of \$8,100.00 for the Office of the Attorney General bond transcript review fee and deliver it to Mr. Conner to circulate for execution by three (3) Board members.

Mr. Short then reported that one of the reasons that the net effective interest on the Series 2007 Bonds was so low was because Sterne Agee also obtained a proposal from CIFG Assurance North America, Inc. for municipal bond issuance on the Series 2007 Bonds, reflecting a premium of \$54,000.00, which amount will be paid by the purchaser, Sterne Agee. Mr. Short explained that the Series 2007 Bonds received an underlying rating of BBB+ from Standard & Poor's and will receive a AAA rating as a result of the Series 2007 Bonds being insured.

## UPDATE ON PROPOSED FUNDING FOR CONSTRUCTION OF FUTURE GOSLING ROAD UTILITIES

Mr. Peterson then reported that over the last few years, Jones & Carter has prepared feasibility studies for Mr. David McCampbell (26 acres), Mr. Howard Lederer (69 acres), Mr. Jon Spears – National Realty Group (10.56 acres) and Northside Christian Church ("Northside") (33.87 acres), all of which will require the extension of sanitary sewer lines along the future Gosling Road and the extension of water lines along Seals Gully in order to obtain water and sewer service. Mr. Peterson then distributed a copy of a map reflecting the location of the subject tracts, a copy of which is attached hereto. Mr. Peterson went on to explain that last week he, Mr. Shackelford, Ms. Ecklund, Mr. Conner, Ms. Bobbitt and Mr. Polley met with owners/representatives of each of the tracts to discuss their plans for proceeding with the extension of the utilities as a shared project. Ms. Peterson further stated that based on such meeting, the Gosling Road utilities group would like to obtain the District's concurrence that they can enter into some form of cost sharing agreement for the future Gosling Road utilities extensions. Mr. Peterson further reported that Northside must have water and sanitary sewer service no later than August 1, 2008 in order to have service for their proposed new facilities, and that the Northside elders had officially authorized going forward with purchasing capacity from the District as an out-of-District customer. Mr. Peterson then asked the Board to authorize JRPB and Jones & Carter to begin preparation of the annexation documents and design plans in connection with the Gosling Road utilities expansion.

Director Steffes then asked whether or not the District has issued firm capacity commitment letters for these tracts. Mr. Peterson responded that neither Mr. McCampbell nor Mr. Lederer has yet begun the annexation process, but that they know the District will not start doing anything towards the construction of the Gosling Road utilities until after they have initiated the annexation process. Director Steffes questioned whether the District would want to annex land where certain types of development are planned. Mr. Shackelford stated that the Service and Annexation Agreements the District will enter into with the developers would place certain limitations on how the annexed land is used and/or developed.

Director Marks then questioned whether the lines that are extended to provide service to Northside will be public lines and, therefore, reimbursable items. Mr. Peterson responded that all of the developers would execute a Cost Sharing Agreement, but that Northside would only enter into a Service Agreement with the District, since their pro rata share of the line costs and the capacity costs are not reimbursable by the District. Director Marks requested to see a breakdown showing the cost allocations for all four (4) of the parties before making any decision on the Gosling Road utilities extension matter, and stated that he does not want the District to reimburse anyone for the lines that will serve Northside.

## UPDATE ON PROPOSED ACQUISITION OF ELEVATED STORAGE TANK ("EST") SITE

Mr. Peterson next reported that Mr. Lederer currently owns the tract on which the proposed EST site is located, and that Mr. Lederer has asked Jones & Carter to determine the estimated value of the proposed site in relation to his pro rata share of costs for the Gosling Road utilities extension. Mr. Peterson noted that based on other land in the area acquired by the District, he estimates a value of \$3.00 per square foot or \$208,000 for the EST site. Mr. Peterson

went on to explain that currently, Mr. Lederer's pro rata share of costs for the Gosling Road utilities extension would also be around \$208,000. Director Marks then questioned the location of the EST site. Mr. Peterson explained that the proposed EST site is the ideal location for the EST since the site is very centrally located in the District. Mr. Conner also reiterated that a computer modeling identified this area as the most appropriate location.

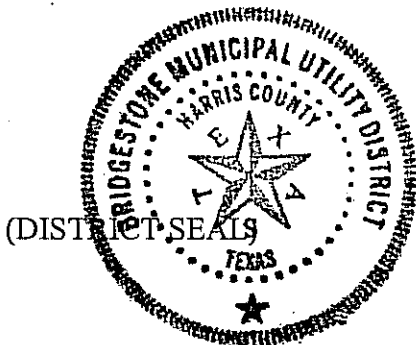
Mr. Peterson then requested that the Board authorize JRPB to prepare an offer letter to Mr. Lederer for the acquisition of the EST site at a price of \$3.00 per square foot. Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to authorize JRPB to prepare and forward an offer letter to purchase the EST site from Mr. Lederer at a price of \$3.00 per square foot.

MISCELLANEOUS MATTERS

Director Theiss reported next that a resident of Stone Forest subdivision told her that the Stone Forest Homeowners' Association (the "HOA") would like the District to maintain the Stone Forest detention pond. Mr. Conner reported that he had received a phone call from the President of the Stone Forest HOA at the beginning of the summer, and that he had explained to the President that the detention pond is still owned by the developer and, therefore, the District has no responsibility to maintain the detention pond. Mr. Conner noted that the County has refused to take over maintenance responsibility for the detention pond until the developer cleaned up about 1,200 feet of the detention pond. Mr. Conner stated that he put the developer in touch with Storm Water Solutions, LP to see if they could be of assistance with the problem. Mr. Conner added that currently, the developer is trying to bring the pond up to the County's specifications in order to get the County to accept it for maintenance. Mr. Conner further informed the Board that even if the developer gets the pond conveyed to the County, the Stone Forest HOA would still need to be involved in some of the maintenance work, since the County will likely only mow the detention ponds approximately three (3) times per year. Mr. Peterson stated that the Stone Forest HOA needs to be advised that there will be an agenda item for the next regular meeting of the Board to approve, authorize and execute an agreement for the mowing of Ditch A and Ditch B for the next year.

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 September, 2007.



*Linda Theiss*  
Secretary, Board of Directors