

MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
June 2, 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 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, June 2, 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, 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. Mary Jarmon of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. Ed Shackelford, P.E., Erich Peterson, P.E. and Josh Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. David Rowe of Water District Management Company, Inc. ("WDM"), operators for the District; Mr. William L. Black, P.E. of Environmental Professionals, Inc. and manufacturer's representative for In-Pipe Technology Company LLC ("In-Pipe"); and Mr. Jonathan D. Polley 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.

RATIFY APPROVAL AND EXECUTION OF ELECTRONIC PAYMENT OPTION AGREEMENTS CONCERNING BILL PAYMENT SERVICES

Mr. Polley reminded the Board that at the special meeting of May 26, 2009, the Board reviewed, approved and executed the electronic payment option agreements from AVR, Inc. Mr. Polley noted that such item was not on the May 26<sup>th</sup> agenda, but that the action was necessary to help with the transition from SouthWest Water Company, former operator for the District, to WDM. 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 ratify the approval and execution of the agreements.

## REVIEW PROPOSAL FROM IN-PIPE

The Board next continued their discussion from the May 26<sup>th</sup> meeting concerning introducing a bacterial augmentation process into the sanitary sewer system. Director Schkade suggested that the Board examine another district that is using the process. Director Schkade stated that 15 years ago, his former district used a similar process to control grease traps, but that the process ceased to be effective over time. Director Steffes then asked the Board to use Mr. Conner as the point man to disseminate information, questions and answers about the bacterial augmentation process to everyone. Mr. Black then offered to provide references from cities in many states that use In-Pipe's services.

Mr. Black thanked the Board and exited the meeting.

## DISCUSS PROPOSED REVISIONS TO FORM OF AGREEMENT FOR FINANCING OF FACILITIES

Mr. Polley then reported that Director Theiss had asked to discuss possible revisions to the District's form of Agreement for Financing of Facilities (the "Financing Agreement"). Mr. Polley stated that Director Theiss' major concern is that the Board should not be obligated to reimburse developers if they do not honor their obligations to construct off-site utilities to serve their developments. Director Steffes noted that several times in the past, the Board has voted to perform on behalf of the developer to complete a project that was not the District's responsibility to complete. Mr. Conner added that the District has also funded several projects to keep the District in compliance with the rules and regulations of applicable regulatory agencies, but noted that the District has subsequently been reimbursed by withholding reimbursement amounts to developers. Mr. Polley then counseled that part of the difficulty in the issue that Director Theiss has raised is that the Financing Agreements are executed before anyone knows exactly what facilities will be necessary for a particular development.

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 Johnson Radcliffe to amend the District's form of Financing Agreement, as discussed. Mr. Polley stated that he would work with Director Theiss to address her concerns. The Board voiced interest in imposing penalties on developers for failure to honor commitments to the District.

Also, regarding the existing form of Financing Agreement, Mr. Conner stated that, pursuant to the Board's authorization, he and the consultants had recently met with several developers relating to developer questions on their reimbursement in Bond Application Report No. 10. Mr. Conner stated that Mr. Nick Ozuna of MHI Partnership, Ltd. has asked the Board to consider a different interpretation of the developer reimbursement calculation than that which was used for his company's most recent reimbursement. Mr. Conner added that the reimbursement calculation methodology that has been used for the most recent developer reimbursements was in strict compliance with the Financing Agreement. In response to Director Marks' inquiry for information on the specific questions being asked by Mr. Ozuna, Mr. Peterson informed the Board that currently, the percentage of reimbursement has been determined by applying all existing line and plant costs and all assessed value attributed to the entire development for each phase of reimbursement. Mr. Peterson added that Mr. Ozuna has

requested that the District calculate the reimbursement percentage by pro rating existing line and plant costs based on the sections of development being reimbursed.

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 not consider a different interpretation of the current developer reimbursement calculation methodology.

#### REVIEW AND APPROVE PROJECTS TO BE FUNDED FROM SURPLUS FUNDS

Ms. Jarmon reported that the District previously had \$728,867 in surplus funds from the proceeds of prior bond sales, excluding the Series 2008 Bonds, and \$1,650,775 in surplus funds from the proceeds of the Series 2009-A Bonds, for a total of \$2,379,642 in surplus funds. A copy of Ms. Jarmon's report is attached hereto. Ms. Jarmon noted that the large amount of surplus funds from the Series 2009-A Bonds is due largely to the fact that the developers did not generate enough value from their developments to receive their full reimbursement amounts when the developer reimbursement calculation formula was applied.

Ms. Jarmon then reviewed five (5) District projects identified by Jones & Carter needing funding, including: 1) chloramine conversion project at an estimated cost of \$445,000; 2) Upper Seals Gully Phase III-A project from Kuykendahl Road to Wal-Mart at an estimated cost of \$1,500,000; 3) The Sanctuary detention pond at an estimated cost of \$1,500,000; 4) Upper Bonds Gully project at an estimated cost of \$1,315,600; and 5) Lower Bonds Gully project at an estimated cost of \$860,000. Ms. Jarmon stated that the total cost of the five (5) projects is \$3,240,958, which exceeds the amount of available surplus funds. Ms. Jarmon noted that the balance could be paid from the District's General Operating Fund and reimbursed from the proceeds of future bond issues. Director Marks then commented that the Board should always adopt a Resolution Evidencing Intent to Reimburse for Expenditures from Proceeds of Unlimited Tax and Revenue Bonds, whether they ultimately decide to reimburse the Operating Funds with bond proceeds or not. Mr. Peterson then recommended that the Board add the Ditch "C" sanitary sewer pipe-bursting project at an estimated cost of \$850,000 to the list of District projects needing funding.

After further discussion, the Board concurred that the following items should be on the June 16<sup>th</sup> agenda: 1) authorize advertising for bids for construction of: a) Upper Seals Gully Phase III-A; b) The Sanctuary detention pond; c) Ditch "C" sanitary sewer pipe bursting project; and d) Rhodes Road water line extension project; 2) adoption of Resolution Evidencing Intent to Reimburse Expenditures with proceeds of Unlimited Tax and Revenue Bonds; 3) adoption of Resolution Authorizing Application for Texas Commission on Environmental Quality ("TCEQ") for Approval of Release of Escrowed Funds regarding the Rhodes Road water line extension project; and 4) adoption of Resolution Authorizing Application to TCEQ for Approval of Use of Surplus Funds.

#### REVIEW AND APPROVE PROPOSED AMENDMENTS TO THE DISTRICT'S BUDGET FOR THE FISCAL YEAR ENDING DECEMBER 31, 2009 (THE "2009 BUDGET")

Ms. Jarmon next reviewed the proposed amendments to the District's budget for the fiscal year ending December 31, 2009, a copy of which is attached hereto. 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 amend the District's 2009 Budget, as proposed by Ms. Jarmon.

REVIEW PROPOSED PRESIDENT'S MESSAGE FOR THE DISTRICT'S 2008 CONSUMER CONFIDENCE REPORT (THE "2008 CCR")

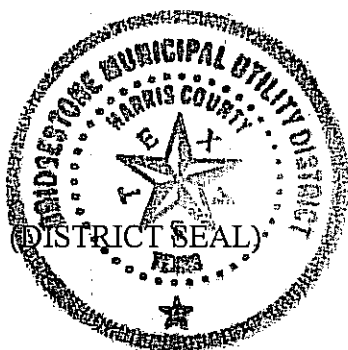
Director Steffes then reviewed the proposed President's Message for the District's 2008 CCR, a copy of which is attached hereto. Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the President's Message.

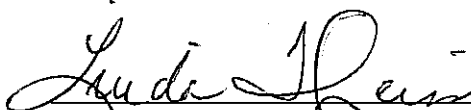
MISCELLANEOUS MATTERS

Mr. Conner then reported that the Sewage Treatment Plant (the "STP") blower nos. 2 and 4 are currently down and not operational. Mr. Conner stated that he has notified the District's insurance company regarding the blower failures and expects to hear from a claims adjuster next week on the matter. Mr. Conner noted that there will be a \$5,000 deductible on each blower. Mr. Conner went on to explain that the estimate to repair/rebuild blower nos. 2 and 4 is approximately \$10,822 each, compared to a cost of approximately \$15,000 each to replace the blowers. Mr. Conner further noted that the District is currently operating blower nos. 1, 3 and 5 and a rental blower (twice the size of the other blowers) as a standby blower. Mr. Conner stated that the cost of one (1) rental blower is \$24,000 per year. Mr. Conner asked the Board to decide whether they want to rent a blower or repair/rebuild blower nos. 2 and 4 to use until the STP expansion project is complete. 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 authorize the necessary repairs to blower nos. 2 and 4, and to authorize the rental of a 125-horsepower blower until such repairs are completed.

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

PASSED, APPROVED AND ADOPTED this 21<sup>st</sup> day of July, 2009.



  
Secretary, Board of Directors