

NO. 2004-3

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
March 16, 2004

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 Community Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, March 16, 2004, 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, except Director Dill, thus constituting a quorum. Also attending the meeting were Mr. Gene Conner, General Manager of 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. Ed Shackelford, P.E. of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears and Mr. Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Mr. Dan D. Peterson of Land and Home Company, Inc., proposed developer of the 134-acre Ward tract located outside the boundaries of the District; Mr. Erik Haaland of Terra Prima LTD, development manager for RH of Texas Limited Partnership, developers of the Stone Forest and Bridgestone Ranch subdivisions within the District; Mr. David Harrison of Sowell & Co., developer of the Rhodes Landing subdivision within the District; Messrs. Robert Hudson and Travis Hudson of Texas Investment & Development Company, developer of the Bridgestone Lakes and Gosling Pines subdivisions within the District and developer of the Senterra Lakes tract proposed to be annexed into the District; Mr. David Glunt of Glunt Investment and Development Company, Inc., representing Senterra Lakes, L.P.; Mr. Ron Walkoviak of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Messrs. Bryan Smith and Beto Bautisto of Centex Homes ("Centex"), co-developer of the Spring Terrace subdivision; Mr. Nick Ozuna, Jr., P.E., Project Manager - Land for MHI Partnership, Ltd., developer/homebuilder of the Spring Terrace subdivision within the District; Messrs. John R. Moy and Jim Moehlman, P.E., Project Manager of LJA Engineering & Surveying, Inc. ("LJA"), engineers for the Spring Terrace subdivision within the District; Ms. Juanita Orsak of KB Home, developers of Springbrook subdivision within the District; Mr. Jon Kemp of Grassworks; Mr. Jerry Thomas,

representing the United To Save Our Spring ("USOS") group and a candidate for the Board; and Ms. Robin S. Bobbitt, of Johnson Radcliffe Petrov & Bobbitt PLLC, 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.

PUBLIC COMMENT

Director Warren first read an e-mail from a resident of Northampton Municipal Utility District to Mr. Thomas regarding a conversation the resident had with Mr. Mike Strech of the Harris County Toll Road Authority (the "HCTRA") about whether the HCTRA would fund the Grand Parkway project, a copy of which is attached hereto. Director Warren reported that an emergency meeting of the USOS would be held on Thursday, March 18, 2004, to inform concerned individuals about the public hearing on the Draft Environmental Impact Statement for the Grand Parkway alignment, to be held on March 23, 2004 at Believers Fellowship Church located at 21603 Rhodes Road, Spring, Texas.

Director Joyce then entered the meeting at 6:20 p.m.

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.

Director Steffes stated that approval of the special meeting minutes of April 16, 2003 reflected on the Consent Agenda would be deferred, that approvals for the pay estimates listed as item nos. 4.a, 4.b, 4.c and 4.f would be deferred, and that the award of the contract for construction of the water, sewer and drainage facilities to serve Springbrook Plaza would be deferred.

Ms. Bobbitt noted a correction to page 5 of the minutes dated February 17, 2004.

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 following Consent Agenda items: 1) the minutes of the regular meeting of February 17, 2004, as corrected; 2) execution of the Petitions for Annexation of the 21.8823-acre Northcrest Village tract; 3) authorize design of Springbrook, Section 4 - water, sanitary sewer and drainage facilities, Spring Terrace, Section 3 - water, sanitary sewer and drainage facilities and Spring Terrace, Section 4 - water, sanitary sewer and drainage facilities; 4) Pay Estimate No. 2 in the amount of \$129,405.33 to SLC Construction, LP in connection with the construction of water, sewer and drainage facilities to serve Gosling Pines, Section 1; Change Order No. 1 in the amount of \$6,750 in connection with the clearing and grubbing contract for Spring Terrace; 5) ratify approval of award of contract for construction of water, sewer and drainage facilities to serve Bridgestone Lakes, Section 2; 6) authorize execution of Jones & Carter GIS program

maintenance proposal; 8) authorize advertising for bids for the off-site utilities to serve Bella Sera; and 9) approve Developers Reports.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of February, a copy of which is attached hereto. Ms. Hall reported that 91% of the District's 2003 taxes have been collected to date.

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that the Delinquent Tax Attorney was not requesting any actions by the Board at this time.

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 Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

ADOPT RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2004 TAX YEAR

Ms. Bobbitt noted that Mr. Carlin Short, the District's financial advisor, had been asked to determine whether the District is in a position to grant a homestead exemption for 2004, but that his recommendation on such matter had not been received in time for the meeting, and Mr. Short was unable to attend tonight's meeting. Ms. Hall reported that the District has 1,622 accounts that would be eligible for a homestead exemption. The Board deferred action on the matter until the April meeting.

RESOLUTION IMPLEMENTING PENALTY ON 2003 DELINQUENT TAXES AND CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES

Ms. Bobbitt then explained that pursuant to Sections 6.30, 33.07 and 33.08 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2003 taxes that remain delinquent as of July 1, 2004, 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 Joyce, 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 2003 Delinquent Taxes and Contracting with Attorneys to Collect Delinquent Taxes, a copy of which is attached hereto.

Ms. Hall then exited the meeting at 6:30 p.m.

DIRECTOR'S REPORT

Director Joyce then reported on his inspection of the District's facilities. Director Joyce noted that the stairs at the Wastewater Treatment Plant (the "STP") need repair. Mr. Conner

stated that the stairs do not comply with OSHA standards and that he is working on resolving the problem.

Director Marks then entered the meeting at 6:32 p.m.

Director Joyce also reported that a truck had caused damages at the STP.

Upon motion by Director Joyce, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of February with the Board, including the delinquent account list, copies of which are attached hereto. Ms. Sears reported that the water accountability ratio for the month was 89.5%, with a four (4) month average of 92.3%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 2,723 connections in the District, including 178 builder accounts and 31 vacancies.

Ms. Sears next reported receipt of a letter from the resident of 4510 Stallion Brook Lane requesting that the garbage collection service fee be removed from his monthly water/sewer service billing, a copy of which is attached hereto. A brief discussion ensued and the Board concurred to deny the request and requested that Mr. Conner coordinate with Aqua Services to prepare a response to the resident.

Ms. Sears next reviewed the memorandum from Aqua Services regarding recent changes in the criteria that the Texas Commission on Environmental Quality (the "TCEQ") uses to determine when to refer Self-Reported Wastewater Treatment Plant Effluent Violations for formal enforcement action, a copy of which is attached hereto.

Ms. Sears then reminded the Board that at the Board's February meeting, Director Warren requested that Aqua Services include a summary of builder backcharges in the monthly Operator's Report. Ms. Sears noted that such information had been added to the Report and then reviewed the summary, noting that there was only one (1) builder backcharge outstanding. A copy of the backcharge summary is attached to the Operator's Report.

Director Warren then questioned why the water accountability was below 90% for the prior month. Ms. Sears explained that the water accountability was probably low due to the large amount of construction activity currently underway in the District. Ms. Sears added that she would check on the status of the District's meter replacement program prior to the next 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 Operator's Report and to authorize the termination of service 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, investment report and the checks being presented for payment, a copy of which is attached hereto. Ms. Jarmon noted that the District's next debt service payment is due on May 1, 2004. Ms. Jarmon further reported that monthly invoices had been sent out to the developers for construction management services and to those developers with outstanding balances for annexations and/or feasibility studies.

Director Steffes then asked how Ms. Jarmon tracks pledged collateral on the District's investments. Ms. Jarmon explained that each bank the District uses was provided with a copy of the District's Depository Pledge Agreement, which stays in place and provides for the types of investments and specifies the collateral the District has approved for use. Ms. Jarmon added that her office receives a notice from the bank when a pledge of collateral is changed.

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 and the payment of the checks reflected therein.

REQUEST FOR APPROVAL AND REIMBURSEMENT FOR OVER-EXCAVATION AT SPRING TERRACE STORMWATER PUMP STATION

Director Steffes then recognized Mr. Walkoviak, who explained that until Spring Terrace, Section 3 is developed, a temporary access easement will be required from Kuykendahl Road to the Spring Terrace stormwater pump station. Mr. Walkoviak explained that an item, at an approximate cost of \$8,000, was included in the construction contract for the Spring Terrace detention basin to "over-excavate" the area, which includes removal of wet material and replacing it with dry material in order to keep construction going. Mr. Walkoviak requested that the Board approve the item for reimbursement to the developer. Mr. Conner noted that the item will still require approval by the TCEQ for reimbursement and recommended that the Board approve the request. Upon motion by Director Marks, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the over-excavation expense item in the detention basin contract for reimbursement, subject to the review and approval by the TCEQ.

FEASIBILITY STUDY FOR SERVICE TO AND ANNEXATION OF WARD TRACT

Mr. Shackelford then reported that Jones & Carter has completed the feasibility study for the 128 acres of the aggregate 154-acre tract located north of FM 2920 and west of Kuykendahl Road (previously referred to as the 134-acre Ward Tract), and noted that approximately 20 acres of the 154-acre tract would be developed as commercial property, but was not included in the annexation request. A copy of the feasibility study is attached hereto. Mr. Shackelford added that a 400-foot strip of the tract may be taken in connection with proposed Alignment "D" of the Grand Parkway. Mr. Shackelford noted that the developer is anticipating development of 519 single-family homes on the tract. Concerning water service, Mr. Shackelford explained that the District currently has adequate water capacity to serve the tract, but that due to existing commitments of the District to other developments, the District will not have adequate water

capacity when the developments that are currently underway or planned reach their ultimate capacity needs and, therefore, an additional water plant, including a water plant site, may be required unless additional water capacity can be obtained from another source. Mr. Shackelford noted that the proposed development will need to connect to the District's water lines located along the southern right-of-way ("ROW") of FM 2920 that crosses FM 2920 just west of the intersection with the Kuykendahl Road intersection and the water line along the western ROW of Kuykendahl Road. Mr. Shackelford added that depending on the timing of the current developments in the District and that of the proposed development, the District's wastewater treatment plant (the "STP") may require expansion. Mr. Shackelford went on to explain that the feasibility study offers two (2) options for providing sewer capacity to the tract, including: 1) an on-site sanitary sewer package plant; or 2) a lift station and force main to pump the wastewater from the tract to the existing regional lift station. Mr. Shackelford noted that such options are included in the Reimbursement Calculation Worksheet. Concerning drainage detention and outfall, Mr. Shackelford reported that Harris County (the "County") and the Texas Department of Transportation will require stormwater detention for the tract and stated that a gravity stormwater detention pond would be preferred. Mr. Shackelford noted that the development has received a drainage study from Provident Engineers, Inc. that shows that the tract could potentially construct stormwater pump stations to pump stormwater flow to the FM 2920 roadside ditch.

Mr. Shackelford next reviewed with the Board the Cost Estimate Summary and developer's Reimbursement Calculation Worksheet included with the feasibility study. A discussion then ensued concerning the water, sanitary sewer and drainage issues related to the development of the tract.

Upon motion by Director Marks, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to approve the request for service and annexation of the 128-acre tract and authorize the District's consultants to proceed with annexation of such tract.

FEASIBILITY STUDY FOR SERVICE TO AND ANNEXATION OF 101-ACRE TRACT

Mr. Shackelford next distributed copies of the Jones & Carter feasibility study for the proposed 101-acre tract of land located adjacent to and west of the Senterra Lakes development, a copy of which is attached hereto. Mr. Shackelford stated that development of the tract will include 301 single-family homes and will be known as the Villages of Senterra Lakes. Mr. Shackelford explained that the tract will require water capacity of 127,000 gallons per day ("gpd") average daily flow and that due to existing water supply commitments, the District will need to construct additional water supply facilities or be provided with alternate water supply capacities in the future. Mr. Shackelford noted that the existing 12-inch water line located along the northern ROW of Spring-Cypress Road at the entrance to the Stone Forest development would be the proposed development's point of connection. Mr. Shackelford added that the development will be responsible for its share of costs for the existing water lines, along with the costs to extend the water line to the tract's southwestern boundary.

Concerning sanitary sewer collection and treatment, Mr. Shackelford explained that the feasibility study reflects that the District would need to construct additional wastewater treatment capacity to serve the tract, based on its capacity need of 95,000 gpd. Mr. Shackelford added that

the tract would require an on-site lift station that would pump wastewater through a proposed force main to be constructed along the southern boundary of Senterra Lakes to Kuykendahl Road and continuing south along Kuykendahl Road to the existing manhole located approximately 500 feet south of Bridgeview Lane. Mr. Shackelford noted, however, that the manhole and sanitary sewer line from the manhole to the District's STP do not have adequate capacity to serve the tract. Mr. Shackelford went on to explain that in order to serve the tract, the existing 18-inch force main serving the developments at the intersection of FM 2920 and Kuykendahl would need to be extended an estimated 3,700 feet from the manhole east and then north along Ditch "C" to the STP. Mr. Shackelford added that the cost of such force main extension would be shared with the developer of the 205-acre tract located north of FM 2920 and east of Kuykendahl. Mr. Shackelford further added that the on-site lift station and force main could also serve Senterra Lakes, Section 2. The feasibility study includes cost estimates and developer reimbursement calculations.

Messrs. Hudson and Glunt then continued with a presentation regarding the proposed Villages of Senterra development. Mr. Glunt stated that the County is proposing to build a detention pond near the 101-acre tract and that he hopes to be able to participate in such detention facility, rather than constructing another detention pond on the tract. Mr. Glunt reported that he is also waiting to hear about the relocation of an ARCO pipeline easement located on the tract. Mr. Hudson noted that Village Builders is interested in buying the 301 lots. Mr. Hudson stated that he is planning to preserve the trees on the tract and only clear the land that is needed for easements and the detention pond.

Mr. Shackelford also stated that in addition to annexation, the Board would need to reallocate a portion of the voted bonds authorized at the last bond election for this development and the Ward tract or hold an additional bond election. Director Marks commented that another bond election to authorize additional bonds may be needed to include the Ward tract and the Villages of Senterra Lakes.

Upon motion by Director Marks, seconded by Director Joyce, after full discussion and the question being put to the Board, the Board voted unanimously to accept the feasibility study and to authorize the engineer and attorney to proceed with the annexation of the 101-acre tract.

ENGINEER'S REPORT

The Board next recognized Mr. Shackelford, who reviewed the Engineer's Report with the Board, a copy of which is attached hereto.

Mr. Shackelford first reviewed the engineering items from the Consent Agenda and noted that several of the pay estimates were not available in time for the meeting. Mr. Shackelford recommended approval of the following: 1) Pay Estimate No. 2 for the clearing and grubbing contract for the Villages of Bridgestone; 2) Pay Estimate No. 9 for on-site utilities to serve the Wal-Mart tract; 3) Pay Estimate No. 1 for the stormwater pump station to serve Spring Terrace; 4) Change Order No. 1 to the water, sewer and drainage facilities to serve Gosling Pines, Section 1; 5) authorize engineers to proceed with the design of water, sewer and drainage facilities and off-site utilities to serve Northcrest Village, Sections 1-3; and 6) authorize engineers to proceed with the design of Senterra Lakes, Section 1 clearing and grubbing and

detention basin excavation Director Marks then inquired why there were so many engineering-related items being presented that are not on the agenda. Mr. Shackelford explained that there is an enormous amount of construction activity in the District and that in order to keep the projects moving, the engineers have been trying to present the developers' requests at the meeting, even if the item is received after the agenda has been prepared and posted. Director Marks stated that some of the items were acceptable, but that he did not think additional pay estimates should be submitted and paid at the meeting. Ms. Bobbitt then explained that the pay estimates were not checks to be written by the District, and explained that the Board was only approving the pay estimates for payment by the respective developer. Ms. Bobbitt again asked the developers to please try to submit their pay estimates to Jones & Carter in advance of the meetings and in time to be on the agenda.

Mr. Shackelford next reviewed the status of various projects currently under construction in the District reflected on page 3 of his Report.

Concerning the District's \$5.75 million seventh (7th) bond application pending at the TCEQ, Mr. Shackelford reported that a new staff memo had been issued on the bond application and a TCEQ Order Approving the Engineering Report is in process. Director Steffes inquired why the TCEQ is not acknowledging the District's exemption from the TCEQ elevated storage tank requirement. Mr. Shackelford stated that he would have to check on the matter.

Mr. Shackelford reported that Jones & Carter had reviewed the capacity requirements for the additional 21.8823 acres to be developed in connection with the Northcrest 2920 LP tract and stated that the additional acreage does not affect the feasibility of the tract.

Concerning the Rhodes Landing detention basin, Mr. Shackelford reported that Jones & Carter has been working with Mr. Harrison to finalize the acquisition of the access easement to the detention basin and the pump station for the detention basin. Mr. Shackelford stated that the revised metes and bounds description for the access easements are being prepared by the engineer for Rhodes Landing and estimated a cost of \$980 to relocate the CenterPoint utility guy wire. Director Marks commented that he did not think the District should pay for the relocation of the guy wire. Mr. Shackelford stated he would discuss the matter further with Mr. Harrison.

Mr. Shackelford next presented a request letter from Encanto Real Utility District ("Encanto Real" for wastewater treatment capacity, a copy of which is attached hereto. Mr. Shackelford explained that Encanto Real is located north of the District and east of Root Road. Mr. Shackelford noted that even if the District had available capacity, it is not practical for the District to provide wastewater treatment service to Encanto Real and recommended that a response be prepared accordingly. 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 Jones & Carter to respond to the request from Encanto Real stating that the District does not have wastewater treatment capacity to provide to such district.

Concerning the final inspection of Ditch "C", Mr. Shackelford reported that Jones & Carter received the final punch list from the Harris County Flood Control District (the "HCFCD"), and such list has been forwarded to the contractor in order for him to complete the

punch list items. Mr. Shackelford added that Mr. Conner had the resident disconnect the illegal stormwater line, as discussed at the February meeting.

Mr. Shackelford then explained that at the February meeting, the Board had considered a request from NewQuest Properties ("NewQuest") for service to a 22-acre tract located within the District and for which a feasibility study had previously been prepared. Mr. Shackelford stated that he had reviewed the available capacity in the Kuykendahl Road trunk line and confirmed that the trunk line does not have adequate capacity to serve the 22-acre tract. Mr. Shackelford explained that the sanitary sewer flow from the tract was planned to flow through an on-site sanitary sewer line and into Lift Station No. 5 and not across Kuykendahl and into the trunk line. Mr. Shackelford stated that the service plan for the tract had been revised to include service to the Northcrest Village development, and the timeline for construction of the sanitary sewer line can be advanced in order to serve the NewQuest tract. Mr. Shackelford noted that he would be meeting with NewQuest representatives tomorrow to further discuss the matter.

Mr. Shackelford next reminded that Board that at the February meeting, Mr. Connard Melton stated that he was planning to build a 76,000-square foot mini-storage facility on a five (5) acre tract located on Kuykendahl Road and had requested water and sanitary sewer service for such development. Mr. Shackelford explained that drainage from the tract would go to Ditch "C" and reported that Jones & Carter had reviewed and approved the drawings for development and issued the necessary drainage letter to the HCFCD regarding drainage for the tract, as previously authorized by the Board.

Mr. Shackelford next reviewed two (2) Summary of Costs options for the District's eighth (8th) bond issue, copies of which are attached hereto. Mr. Shackelford noted that Option 1 reflects two (2) District items, including the rework of Water Well No. 1 (\$85,000) and the construction of Lift Station No. 5 (\$453,683) for a total bond issue amount of \$6,595,000 versus a total bond issue amount of \$5,850,000 reflected in Option No. 2. Mr. Shackelford stated that Mr. Short had not yet reviewed the Summary of Costs. Director Warren stated that he was not in favor of the District issuing debt to reimburse itself for the two (2) District items reflected in Option No. 1.

Upon motion by Director Joyce, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report.

Mr. Dan Peterson then exited the meeting at 7:55 p.m.

GENERAL MANAGER'S REPORT

Mr. Conner then presented the General Manager's Report to the Board, a copy of which is attached hereto. Mr. Conner reported that Sergeant Blankenship of the Harris County Precinct 4 Constable's office was on vacation and, therefore, the Harris County Precinct 4 Constable's Security Report for the month of February was not provided in time for the meeting.

Mr. Conner next reported that he had received a Professional Services Proposal for the District's Geographical Information System ("GIS") Internet Hosting from Jones & Carter, a copy of which is attached hereto, and recommended approval of such proposal.

Mr. Conner went on to report that he had also received a lease agreement proposal from DocStar System ("DocStar") to lease the software and hardware necessary to support the GIS program at a cost of \$995 per month for 60 months. Mr. Conner explained that the new system would be a movement towards having paperless Board meetings. A discussion then ensued regarding the paperless meeting concept. Director Steffes suggested that a demonstration be presented to the Board by DocStar at the April meeting. Mr. Conner stated he would try to arrange a presentation by DocStar. Ms. Bobbitt stated that she would review the DocStar lease agreement and provide her comments to Mr. Conner.

Concerning the proposals for the security and vulnerability assessments of the District facilities, Mr. Conner reported that Kimmons Security Services, Inc. had submitted a cost estimate of \$3,000 for the first District facility and \$1,000 for each additional facility thereafter, and that Aqua Services had submitted a proposal of \$2,000 for the first facility and \$1,000 for each facility thereafter. Mr. Conner added that Mr. Jim Sheffield's proposal reflects a lump sum of \$2,000 for the STP and the three (3) water plant sites. Copies of the three (3) proposals are 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 accept the proposal submitted by Mr. Sheffield for the preparation of the security and vulnerability assessment of the District's facilities, subject to the review and approval of the proposal by Ms. Bobbitt.

Mr. Conner went on to report that he had contacted the resident of 4803 River Shadows with the illegal stormwater connection into Ditch "C" and the illegal connection had been disconnected.

Mr. Conner reported that 60% of the fire hydrants in the District have now been repainted.

Concerning the Albertson's detention pond, Mr. Conner reported that Bridgestone Partners, Ltd. (Mr. Jose Gross, principal) has filed suit against the owners of the Albertson's store located at Kuykendahl Road and Spring-Cypress Road. A copy of an e-mail concerning such matter is attached hereto.

Concerning the flooding issues in the District previously discussed at the December, January and February meetings, Mr. Conner reported that he had corresponded with Mr. Joel Mendez of the HCFCD and informed him of previous meetings with the Harris County Public Infrastructure Department and Ms. Pamela Rocchi with Harris County Precinct 4 regarding the County's future plans for drainage in the area of Seals Gully, Bonds Gully and Spring-Cypress Road. Mr. Conner stated that Mr. Mendez had responded that the HCFCD has no objection to the District making interim improvements along Bonds Gully to ease existing drainage problems in the area. Mr. Conner noted that the District is now waiting for approval from Mr. John Blount with the County in order for the District to proceed with such improvements. Director Marks asked Mr. Conner to obtain a letter from the owner of the Progressive Pumps tract that states that they have no objection to the proposed improvements to be made along their property by the District.

Director Warren then stated that some of the residents on N. Tangle Creek were installing their own drainage lines and channeling drainage flow into the street. Director Marks stated such residents need to receive a letter from Mr. Conner notifying them that it is illegal for them to install such drainage line and to let them know that the District will be making interim improvements along Bonds Gully to help alleviate the drainage problems in the area. Mr. Thomas noted that he had received several calls from residents on North Tangle Creek, who indicated that the District told them to install French drains to solve the problem.

Upon motion by Director Joyce, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

ACQUISITION OF EASEMENTS

Director Warren then asked for a status report on the acquisition of the water and sanitary sewer line easements that are needed to provide service to the Stimac Enterprises tract. Mr. Conner reported that he had spoken with Mr. Peter Terpstra yesterday, who had expressed concern about the location of the emergency overflow swale on his property for the Rhodes Landing development and that he, Mr. Shackelford and Ms. Bobbitt were working with Mr. Harrison and Mr. Terpstra's engineer to resolve Mr. Terpstra's concerns. Mr. Shackelford then stated that he had received a letter earlier today from RG Miller, engineers for Rhodes Landing, regarding the relocation of the swale. Mr. Conner noted that Mr. Terpstra also wants to obtain a fill permit from the County for his property. Mr. Conner stated that Mr. Terpstra's engineer was working on obtaining the fill permit, and that Mr. Harrison is working on the relocation of the swale. Mr. Conner stated that it is anticipated that Mr. Terpstra will execute the easements once these items are resolved.

Mr. Hudson then asked about the status of the acquisition of the easement from Mr. Bucchino. Ms. Bobbitt stated that the Bucchino and Chevron easement acquisitions had been turned over to a ROW acquisition agent to work on obtaining such easements.

ATTORNEY'S REPORT

Ms. Bobbitt reported that as of today's date, applications for a place on the ballot for the upcoming Directors Election had been received from Directors Joyce and Marks and from Mr. Jerry Thomas. Ms. Bobbitt noted that the application deadline was March 15th. Ms. Bobbitt added that Director Dill had stated that he does not intend to run for re-election. A discussion then ensued regarding whether an election would be necessary if there were only three (3) candidates. Director Warren inquired if Mr. Ron Schkade had submitted an application to be on the ballot. Ms. Bobbitt responded that to date, Mr. Schkade had not submitted an application. Ms. Bobbitt noted that the deadline for filing for write-in candidacy is Monday, March 22, 2004, by 5:00 p.m. Mr. Thomas asked that he be notified if the election was going to be canceled.

Upon motion by Director Joyce, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Attorney's Report.

MISCELLANEOUS MATTERS

DISCUSSION REGARDING GRAND PARKWAY

Mr. Conner then reported that a meeting was held several weeks ago at Jones & Carter with several of the developers in the District to discuss alternatives to the proposed Alignment "D" for the Grand Parkway. Mr. Shackelford stated that Alignment "D" has been pushed because at the time such route was proposed, there was not much development taking place in the area along Alignment "D". A discussion then ensued regarding several route alternatives. Mr. Shackelford then presented a map reflecting the route alternatives, such alternatives being Alternate 1 and Alternate 2, a copy of which can be found in the District's files. Mr. Hudson stated that it was his hope that the developers and the District could work together to submit an alternate route to the Grand Parkway Association (the "GPA"). Upon motion duly made and seconded, the Board voted three (3) votes in favor and one (1) vote opposed, with Director Warren voting in opposition, to authorize Mr. Conner, Mr. Shackelford and Ms. Bobbitt to work with the District's developers to propose to the GPA one of the alternate alignments for the Grand Parkway, such alignments being located north of Alignment "D". Director Warren then stated that he preferred the most northern route alternative, such route being identified as Alternative 2.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:55 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1), Texas Government Code, as amended, to consult with the District's attorney regarding contemplated litigation matters. After extensive discussion, everyone then exited the meeting with the exception of the Board members, Messrs. Conner and Shackelford, Ms. Jarmon and Ms. Bobbitt attended the executive session.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 9:56 p.m. Mr. Conner first inquired if Mr. Smith had brought a check to the meeting to cover the outstanding construction management services invoice amounts owed to the District. Mr. Smith stated that he had brought a check made payable to the District in the amount of \$44,067.09 for payment of the outstanding invoices. A discussion then ensued as to how Centex plans to handle construction management services going forward should the District approve the Centex request to take over the construction management services for the Spring Terrace development. A copy of the Centex request letter is attached hereto. Mr. Smith stated that Centex provides full-time inspection on their projects and has complete trust and confidence in the services provided by LJA. Further discussion then ensued regarding the transition and implementation of construction management services by LJA.

Upon motion by Director Joyce, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Centex request for LJA to provide the remainder of the construction management services for the Spring Terrace development.

It was then noted that the next regular meeting of the Board will be held on Tuesday, April 20, 2004, at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 20th day of April, 2004.

/s/Bob Joyce

Secretary, Board of Directors

(DISTRICT SEAL)

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