

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.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

The Board first recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of September, a copy of which is attached hereto. Ms. Hall reported that 97.7% of the District's 2003 taxes have been collected to date.

Upon motion by Director Schkade, 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.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed with the Board the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall noted that Section III of the report reflects one (1) request for an installment payment agreement. Upon motion by Director Schkade, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the request for an installment payment agreement for the payment of 2003 delinquent taxes, with the provision that the resident's delinquent 2003 taxes and 2004 taxes be paid in full no later than January 31, 2005.

Concerning Section IV of the report, Ms. Hall reported that the three (3) installment payment plans approved at the September meeting had been accepted by the delinquent taxpayers, and the first installment payments had been received from each of the taxpayers.

Mr. McCall then entered the meeting at 6:12 p.m.

Director Steffes asked Ms Hall if she knew if Harris County Emergency Services District No. 11 ("HCESD No. 11") had set its tax rate for 2004. Ms. Bobbitt interjected that she had distributed a memorandum to the Board a few minutes ago on that very topic, a copy of which is attached hereto. It was noted that on October 13, 2004, HCESD No. 11 set a 2004 tax rate of \$0.03 per \$100 assessed valuation, such amount being the maximum allowable tax under existing statutory provisions.

Mr. Shackelford then entered the meeting at 6:15 p.m.

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

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.

Upon motion by Director Thomas, seconded by Director Schkade, 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 September 21, 2004; 2) authorize design of Lift Station No. 7 to serve Senterra Lakes and Villages of Senterra Lakes; 3) approve the following pay estimates and change orders: (a) Pay Estimate No. 2 in the amount of \$197,435.22 to Slack & Company, Inc. for construction of the utility extension along FM 2920, west of Kuykendahl Road; (b) Pay Estimate No. 5 in the amount of \$36,190.25 to B-5 Construction Co., Inc. for construction of the stormwater pump station and outfall improvements to serve Gosling Pines; (c) Pay Estimate No. 3 in the amount of \$13,246.20 to Excalibur Construction, Ltd. for the clearing and grubbing of and detention basin in Senterra Lakes; (d) Pay Estimate No. 5 in the amount of \$59,457.15 to Cravens Partners, Ltd. for construction of the water, sanitary sewer and drainage facilities to serve Springbrook Plaza; (e) Pay Estimate No. 7 in the amount of \$145,540.46 to Liftwater Construction, Inc. for construction of the detention basin to serve Spring Terrace; (f) Change Order Nos. 2, 3, 4, and 5 in the amounts of \$5,342.00, \$10,010.13, \$4,614.00 and \$0.00, respectively, and Pay Estimate No. 8 in the amount of \$56,675.23 to Cravens Partners, Ltd. for construction of the lift station and offsite utilities to serve Spring Terrace; (g) Change Order No. 1 in the amount of \$11,597.22 to Big State Excavation, Inc. for construction of water, sanitary sewer and drainage facilities to serve Spring Terrace, Section 1; (h) Pay Estimate No. 4 in the amount of \$30,202.87 to SLC Construction, L.P. for construction of water, sanitary sewer and drainage facilities to serve Spring Terrace, Section 2; and (i) Pay Estimate No. 3 in the amount of \$206,788.50 to Bay Utilities, L.L.C. for construction of the water, sanitary sewer and drainage facilities to serve Villages of Bridgestone; 4) Developer Reports; and 5) ratify approval of the adoption of the Order Changing and Establishing District Meeting Places and Designating District Offices.

REGULAR AGENDA (CONTINUED)

DIRECTOR'S REPORT

Director Schkade reported that he had inspected the District's facilities with Mr. Almaguer on October 15, 2004 and provided a report on such inspection, a copy of which is attached hereto. Director Schkade noted that there were potholes on the access road north of the District's Wastewater Treatment Plant (the "STP") main gate. Mr. Shackelford stated that this particular portion of the road is a Harris County (the "County") road and is maintained by the County. Director Steffes noted that in the past, the County has maintained the road. Mr. Shackelford stated he would make the County aware of the problem. Director Schkade then recommended that the Directors refer to previous inspection reports regarding items that had been noted on such prior reports and are still outstanding. Director Schkade suggested that the District maintain an ongoing list of the repair/work items reflected on the inspection reports in order for the Board and Aqua Services to monitor and keep track of the status of such items.

Mr. Peterson and Mr. Walkoviak then entered the meeting at 6:18 p.m.

Director Schkade continued his Director's Report. It was noted that Mr. Conner is working on the problem of the flaking paint on the generators at Lift Station No. 1, Water Plant No. 1 and Water Plant No. 2.

Director Thomas then asked whether Water Plant No. 2 had been inspected. Mr. Shackelford responded affirmatively and stated that Mr. Conner would report on such matter at the November meeting.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Report. It was then noted that Director Thomas is scheduled to inspect the District's facilities for the months of November and December.

REQUEST FOR SERVICE FOR 2-ACRE TRACT OF LAND

Mr. Peterson reported receipt of an application for service for a 2-acre tract of land, located within the boundaries of the District at the southwest corner of FM 2920 and Bridgestone Lane. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with preparation of a feasibility study for the 2-acre tract.

REQUEST FOR SERVICE/ANNEXATION FOR 5.0967-ACRE TRACT OF LAND

Mr. Peterson reported that Mr. Jim West, on behalf of Field Companies, has requested service to and annexation of a 5.0967-acre commercial tract of land located on the northeast corner of Kuykendahl Road and Rhodes Road. Mr. Peterson went on to explain that Field Companies has the 5.0967-acre tract under contract to purchase it from Mr. Terpstra. Mr. Peterson added that a portion of the 5.0967-acre tract was previously annexed into the District in 2003, and that Mr. West is seeking annexation of the remainder of such tract. Mr. Peterson noted that Mr. West had already submitted an application for service/annexation and a feasibility deposit of \$3,000. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with preparation of the feasibility study for the 5.0967-acre tract.

REQUEST FOR SERVICE FOR 9.155-ACRE TRACT OF LAND

Mr. Peterson reported that Mr. Glen Irby of Realtex Ventures, Inc. has requested service for a 9.155-acre commercial tract of land located on the northwest corner of FM 2920 and Rhodes Road. Mr. Peterson noted that a Diamond Shamrock convenience store and a Children's Courtyard were proposed for the site, and that Mr. Irby had already submitted an application for service and a deposit of \$3,000. Mr. Peterson also noted that Jones & Carter had previously done a feasibility study on the tract, and it would only need to be updated for the proposed development. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with preparation of the feasibility study for the 9.155-acre tract.

REQUEST FOR SERVICE/ANNEXATION FOR 69.2-ACRE TRACT OF LAND

The Board then considered a request from Mr. Lederer for service/annexation for his 69.2-acre tract of land located on the north side of Kuykendahl Road and the south side of FM 2920. It was noted that in 2001, Mr. Lederer worked with Jones & Carter concerning the possible annexation of the 69.2-acre tract of land. A copy of Mr. Lederer's 2001 written request and application is attached hereto. Mr. Peterson noted that Jones & Carter began work on a feasibility study for the land, but work on the study was halted by Mr. Lederer prior to completion. Ms. Jarmon stated that the \$3,000 feasibility deposit from Mr. Lederer had been expended.

Mr. Lederer then reviewed the status of his tract with the Board. Mr. Lederer stated that he had finally reached an agreement with the County regarding road and drainage ditch easements for facilities that are to be constructed within the next two (2) years. Mr. Lederer stated that he has been working with Mr. Bill Park of Jones & Carter regarding the potential use and development of the tract. Mr. Lederer estimated that he may need water and sanitary sewer service for the tract by 2007.

Director Marks then entered the meeting at 6:47 p.m.

Director Steffes then explained that the District does not have excess capacity available for development beyond what is currently proposed in the District or for tracts currently in the process of annexation, and that there may not be adequate bond authorization for all of the development that is currently going on in the District. Mr. Shackelford stated that a feasibility study would need to be prepared regarding the annexation of Mr. Lederer's tract. Director Thomas asked how a feasibility study can be prepared without knowing the proposed use of the land. Mr. Shackelford stated that a feasibility study could be prepared based on a projected usage, but would take 30 days or more to complete. Ms. Bobbitt interjected that historically, the District has not issued capacity commitment letters for a term of more than one (1) year.

Ms. Hall then exited the meeting at 6:55 p.m.

Mr. Shackelford stated that the District needs to do some master planning of the District's future sanitary sewer system requirements, and it is likely that some "re-zoning" of the sanitary service areas in the District will be required.

Director Thomas then exited the meeting temporarily at 6:58 p.m. to talk with a resident regarding homeowner association business.

Mr. Lederer noted that the ditches for which he is providing the necessary easements to the County will benefit the District. Director Marks asked Mr. Shackelford if Mr. Lederer's statement was true. Mr. Shackelford stated that the Northcrest Village subdivision, north of the Wal-Mart tract, will outfall into the new County ditch, which will be a precursor to eliminating the pumped detention facilities in the District. Mr. Shackelford then explained that the County will make a written offer to Mr. Lederer for the necessary road and drainage easements and, if the offer is not accepted, the County will acquire the easements through the condemnation process. Mr. Lederer then stated that he was concerned that he did not want to be left without service for the tract.

Director Thomas then re-entered the meeting at 7:07 p.m.

Director Warren asked what Mr. Shackelford recommended concerning the Lederer tract. Mr. Shackelford stated that it would take between 18 to 24 months to get the necessary infrastructure constructed to serve the 69.2-acre tract, and suggested that Jones & Carter prepare the feasibility study, including identification of the capacity and service requirements of the various developments in the District and a timeline for providing service to such developments, including the Lederer tract. Mr. Shackelford also noted that the feasibility study may also determine that there will need to be another bond election to increase the District's bond authorization. Mr. Shackelford then asked the Board if they were interested in annexing the tract prior to service being needed in order to benefit from the assessed value of the tract. Director Steffes stated that the Board would need to be able to stipulate the use of the land in the event that the land is re-sold. Ms. Bobbitt noted that the Annexation and Service Agreement that would be entered into with Mr. Lederer would have language that requires any new owner to come to the Board for approval of the use of the land. Ms. Bobbitt also reminded the Board that the Annexation and Service Agreement includes land use restrictions and minimum lot sizes. Mr. Shackelford recommended that the Board authorize Jones & Carter to prepare a feasibility study on the Lederer tract, which would likely take 60 days or more to complete. Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to proceed with the preparation of the feasibility study for the Lederer tract.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of September with the Board, including the delinquent account list, copies of which are attached hereto. Ms. Sears reported that the District's water accountability ratio for the month was 91.8%, with a four (4) month average of 91.8%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 2,886 connections in the District, including 171 builder accounts and 58 vacancies. Ms. Sears noted that the Wal-Mart account had over 2 million gallons of usage during the prior month. Mr. Shackelford stated that he would investigate the matter further.

The Board then discussed problems with contractors stealing water from District fire hydrants. Ms. Bobbitt suggested that the District's rental meters be painted a distinctive color in order to make them easy to identify. It was then determined that the Board will discuss the water theft further at the November 16th meeting.

Mr. Almaguer then reported that, as mentioned earlier, both clarifier rakes at the STP were wearing out and need to be reworked or replaced, one at a time. Mr. Almaguer also reported that there would be 10 sludge hauls for October due to the problems with the clarifiers. It was noted that Mr. Synatchyk, the Jones & Carter design engineer for the STP, will be looking at the clarifier units to determine the best option for repair of the problem.

Ms. Sears reported that Aqua Services' new billing system has the capability to do summaries of taps and invoices, and that she would like to include such information in the monthly reports. The Board concurred with Ms. Sears' suggestion. Director Warren then

inquired about the status of the meter replacement program. Ms. Sears stated that she was working with Mr. Conner on the meter replacement program.

Upon motion by Director Warren, seconded by Director Thomas, 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 reported that the monthly invoices had been sent to the various developers in the District for construction management services and to those developers with outstanding balances for annexations and/or feasibility studies.

Ms. Jarmon then noted that she would wire the November 1st debt service payment at the end of October. Ms. Jarmon reported that \$57,000 in tap fees had been collected during the prior month, and that \$495.25 in unclaimed funds would be escheated to the State of Texas pursuant to the Unclaimed Property Act.

Mr. Shackelford then reported that Slack & Company, Inc., the contractor for the extension of utility lines along FM 2920, west of Kuykendahl Road, is experiencing problems with receiving payment from DR Horton on such contract. Mr. Shackelford stated that DR Horton has asked him to request that the District pay the contractor a pay estimate amount of approximately \$150,000 and get reimbursed by DR Horton next week. Mr. Shackelford went on to explain that he was told that there were problems with the processing of pay estimates on the project, and that currently a number of the DR Horton officers were out of town and, therefore, there was no one to approve and sign the check to the contractor. A brief discussion ensued regarding such matter. Ms. Bobbitt and Mr. McCall then advised the Board that it is not appropriate for the District to make such payment to the contractor. The Board then denied the DR Horton request.

Ms. Jarmon next reported that she had written additional checks for payment to Neal's, the North Harris County Regional Water Authority, the NHA and DonMar Grading. Director Warren then asked if it wasn't hypocritical for the District to join the NHA since Senator Lindsay is heavily involved in such organization, which seems to be more of a conflict of interest than the conflict which has been noted concerning he and Director Thomas serving on the board of United To Save Our Spring. Director Steffes stated that although the members of the Board had diverse views, he did not believe it was hypocritical to join an organization such as the NHA.

Upon motion by Director Thomas, seconded by Director Schkade, 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.

ANNUAL REVIEW OF INVESTMENT POLICY

Ms. Bobbitt then explained that the Public Funds Investment Act, as amended, requires the Board to review the District's investment policy on an annual basis and presented an Order Regarding Annual Review of Rules, Policies, and Code of Ethics for the Investment of District Funds for the Board's consideration and approval. Ms. Bobbitt noted that the list of approved financial institutions had been updated by Ms. Jarmon. Upon motion by Director Marks, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to adopt such Order, a copy of which is attached hereto.

REVIEW ASSESSED VALUATIONS OF STONE FOREST AND RHODES LANDING AND KUYKENDAHL TRUNK UTILITY PROJECT REGARDING DEVELOPER REIMBURSEMENTS

Mr. McCall then reviewed his revised Report on Applying Agreed-Upon Procedures to Construction, Engineering and Related Costs Reimbursable to RH of Texas Limited Partnership, Sowell Property Partners-Rhodes Landing, L.P. and Participants of Kuykendahl Road and FM 2920 Trunk Utility Project from Proceeds of the District's Series 2004 Bonds (the "Reimbursement Audit"), a copy of which can be found in the District's files. Ms. Bobbitt then noted that Mr. Short's Memorandum dated October 11, 2004, a copy of which is attached hereto, confirmed that the developers had enough value on the ground in the Rhodes Landing and Spring Forest subdivisions to qualify for 100% reimbursement. Mr. McCall reported that the bond proceeds were short by \$188,205.56 in developer interest (Schedules A, B & C of the Reimbursement Audit). Mr. McCall also noted that once the developers are reimbursed for their construction costs, the interest on such costs would cease to accrue.

A discussion then ensued concerning paying the remaining interest due to the developers from escrowed and surplus funds. Ms. Bobbitt noted that Sowell will not receive reimbursement for the Rhodes Landing detention pond until the project is completed satisfactorily. Ms. Jarmon noted that there was \$213,000 in surplus funds from the Series 2004 Bonds, and that such funds are available to pay the remaining developer interest. Further discussion ensued concerning the amounts to be reimbursed the developers. Ms. Bobbitt reminded the Board that the District must obtain Texas Commission on Environmental Quality (the "TCEQ") approval for release of the funds that were required to be escrowed for the payment of developer interest. Ms. Bobbitt added that the Application for Release of Surplus Funds can now be submitted to the TCEQ.

Upon motion by Director Marks, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously to authorize reimbursement of construction costs to the developers with the exception of those construction costs pertaining to the Rhodes Landing detention pond and to adopt a Resolution Authorizing Application for Texas Commission on Environmental Quality Approval of Release of Escrowed Funds and Use of Surplus Funds to pay the developer interest owed on the construction costs for the Stone Forest and Rhodes Landing subdivisions. A copy of the Resolution is attached hereto.

REVIEW FEASIBILITY STUDY REQUEST FOR SERVICE/ANNEXATION FOR 8-ACRE TRACT OF LAND

Mr. Peterson then distributed copies of the feasibility study prepared for Dr. Moparty's 8-acre commercial tract of land located on FM 2920, across from the Kroger tract, a copy of which is attached hereto. Mr. Peterson noted that the proposed project has a water capacity requirement of 24,000 gallons per day ("gpd") average daily flow and stated that there is an existing 12-inch water line along the northern right-of-way ("ROW") easement of FM 2920 that can provide water service to the tract. Concerning sanitary sewer collection and treatment, Mr. Peterson stated that the estimated capacity requirement for the project is 20,000 gpd and noted that there is an existing 12-inch sanitary sewer line along the northern ROW of FM 2920 that could provide service to the tract. Mr. Peterson noted that as the numerous developments in the District build out, additional water supply facilities and sewer plant expansion will be necessary. Mr. Peterson added that the owner/developer of the tract would also be responsible for drainage outfall and any detention requirements for the tract.

Director Schkade asked why the District is able to provide service to the Moparty tract and not to the Lederer tract. Mr. Peterson explained that when Jones & Carter designed facilities to serve the western portion of the District, the lines were sized with capacity to serve certain tracts of land that were identified as potential customers and, therefore, the lines have the capacity to serve Dr. Moparty's tract of land. In the case of Mr. Lederer's tract of land, the lines were not sized to include service to his tract of land due to the fact that Mr. Lederer decided not to proceed with annexation of his tract at that time. Mr. Peterson noted that Mr. Lederer's property also does not have a sanitary sewer line located near his property.

Mr. Peterson then noted that the feasibility study assumes that this tract will participate on a pro-rata basis in the costs of Kuykendahl trunk facilities, but such participation is not reflected in the feasibility study. Mr. Peterson stated that he would revise the feasibility study to reflect such participation.

Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the service/annexation request, authorize Jones & Carter to revise the feasibility study as discussed and authorize Jones & Carter and Ms. Bobbitt to proceed with the annexation process.

REVIEW FEASIBILITY STUDY REQUEST FOR SERVICE/ANNEXATION FOR 10.56 ACRE TRACT OF LAND

Mr. Peterson then distributed copies of the feasibility study for service/annexation of the TNRG 10.56-acre tract of land located on the south side of FM 2920 at Rhodes Road, a copy of which is attached hereto. Mr. Peterson explained that the tract would require an average daily flow of 31,500 gpd and noted that there is adequate water capacity available and an existing 12-inch water line along the southern ROW of FM 2920 to serve the tract. Concerning sanitary sewer service, Mr. Peterson noted that the tract will require an average daily flow of 26,250 gpd, and stated that while the District has adequate sanitary sewer treatment capacity to serve the tract, there is not adequate sanitary sewer line capacity to serve the tract. Mr. Peterson noted that the owner/developer would like to proceed with annexation into the District, connect to the

District's water system and install a septic tank on the tract until such time that sanitary sewer line capacity is available to provide service to the tract. Mr. Peterson added that the owner/developer of the tract would also be responsible for drainage outfall and any detention requirements for the tract.

Upon motion by Director Thomas, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the service/annexation request subject to certain limitations being reflected in the Annexation and Service Agreement, including, but not limited to, a time limit for connecting to the District's sanitary sewer system once sanitary sewer line capacity is available and a limitation on the number of connections on and/or the discharge from the tract until the tract is connected to the District's sanitary sewer system, and to authorize Jones & Carter and Ms. Bobbitt to proceed with the annexation process.

Mr. Almaguer then exited the meeting at 8:25 p.m.

ENGINEER'S REPORT

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

Mr. Peterson first noted receipt of a letter from PDG Architects regarding the development and construction of the Primrose School of Bridgestone Lakes, a copy of which is attached hereto. Mr. Peterson stated that the school would be located on Reserve "B" of Bridgestone Lakes, Section 1 at the northwest corner of FM 2920 and Bridgestone Lane, within the boundaries of the District. Mr. Peterson noted that the project would include a 10,175 square foot one (1) story daycare center building, playground and parking lot. Mr. Peterson added that a feasibility study would not be necessary for the project.

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 Engineer's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that it appeared that Mr. Bucchino had agreed to provide a drainage easement to the District at a cost of \$1.10 per square foot. Ms. Bobbitt added that the details of the easement acquisition are in the process of being worked out with Mr. Bucchino.

Director Steffes reported that the fire department recently had difficulty locating a house fire in the Springbrook development because current street maps were not available. Director Steffes recommended that the developers provide street maps, with addresses, of their subdivisions to the fire department as soon as possible.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, November 16, 2004, at 6:00 p.m. at the Bridgestone Community Center.

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

PASSED, APPROVED AND ADOPTED this 16th day of November, 2004.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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