

NO. 2004-21

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
December 21, 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, December 21, 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
Jim Marks	Vice President
Ronald W. Schkade	Secretary
Skip Warren	Treasurer
Jerry Thomas	Assistant Secretary

All members of the Board were present, 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; Messrs. Ed Shackelford, P.E. and Erich Peterson, 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. 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; Mr. David Glunt, project manager for Senterra Lakes and Villages of Senterra Lakes subdivisions; Mr. Ron Walkoviak of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Mr. David McGowen of DR Horton, Inc., developer of the Bella Sera subdivision within the District; Corporal Dean Coleman of the Harris County Precinct 4 Constable's office; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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.

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 noted that approval of the November 16, 2004 minutes would be deferred.

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 following Consent Agenda items: 1) the minutes of the regular meeting of May 10, 2004; 2) authorize advertising for bids, subject to Jones & Carter's receipt, review and approval of project plans for the Villages of Senterra Lakes detention pond; 3) review bid tabulations and award construction contract for the following projects: (a) Bridgestone Lakes, Section 4 water, sewer and drainage facilities; (b) Villages of Senterra Lakes clearing and grubbing; and (c) Springbrook, Section 4 clearing and grubbing; 4) approve the following pay estimates and change orders: (a) Pay Estimate No. 1 in the amount of \$65,201.40 to Triple B Services, L.L.P. for construction of the Bella Sera detention pond; (b) Pay Estimate No. 6 in the amount of \$10,328.08 and Change Order No. 2 in the amount of \$10,550.90 to B-5 Construction Co., Inc. for construction of the storm water pump station and outfall improvements to serve Gosling Pines, Section 1; (c) Pay Estimate No. 1 in the amount of \$181,413.90 to C. E. Barker, Ltd. for construction of the 18-inch off-site sanitary sewer trunkline to serve Northcrest Village; (d) Pay Estimate No. 8 in the amount of \$153,906.03 to Cedar Ridge Excavation, Ltd. for construction of the Spring Terrace detention basin; (d) Change Order No. 4 in the amount of \$7,466.95 to Liftwater Construction, Inc. for construction of the Spring Terrace storm water pump station; (e) Pay Estimate No. 5 in the amount of \$39,591.65 for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 1; (f) Pay Estimate No. 4 in the amount of \$24,700 to S. Holland Company, Inc. for the construction of water, sewer and drainage facilities to serve Stone Forest, Section 4; 5) Developer Reports; and 6) ratify approval of the following items: (a) Amended Operation Services Agreement with Aqua Services; and (b) authorization to advertise for bids for Springbrook, Section 4 clearing and grubbing.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of November, a copy of which is attached hereto. Ms. Hall reported that 98% of the District's 2003 taxes and 2.1% of the District's 2004 taxes have been collected to date.

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 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. The Board asked Ms. Hall to contact the Delinquent Tax Attorney

concerning the delinquent Calvez account reflected as item no. 4 under Section III of the Report. No action was required on such Report.

CONSIDER PROPOSED RATE INCREASE FROM REPUBLIC WASTE SERVICES

The Board then considered a written notice from Republic Waste Services ("Republic") regarding an increase in the garbage collection/recycling rate from \$10.87 per home per month to \$11.26 per home per month to be effective January 1, 2005. A copy of the notice is attached hereto. Republic stated that the increase was necessary due to the dramatic price increase in diesel fuel. Ms. Jarmon confirmed that the new amount to be reflected on the District's water/sanitary sewer service bills would be \$12.58, including sales tax. Director Warren stated that he would like to request proposals for garbage collection/recycling services the next time the Republic contract is up for renewal. Ms. Bobbitt stated that she would review the Republic contract to determine the expiration date of the existing contract. Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Republic rate increase. Ms. Bobbitt stated that her office would prepare and forward a letter to Aqua Services concerning the rate increase and the need to reflect the increase on the District's January water/sewer service bills.

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 noted that check no. 7934 to the Texas Commission on Environmental Quality (the "TCEQ") in the amount of \$1,833.16 is the District's annual water assessment fee.

Upon motion by Director Warren, 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.

REVIEW OF PROPOSED 2005 BUDGET

Ms. Jarmon next reviewed the District's proposed budget for the fiscal year ending December 31, 2004, previously distributed to the Board and consultants, a copy of which is attached hereto. Ms. Jarmon noted the following items on the proposed budget: 1) inclusion of the new security expense amount to reflect the cost of the District's Law Enforcement Services Agreement with Harris County, Precinct No. 4; 2) deletion of the EMS/VFD donation revenue and expense line items from the budget; 3) increase of the garbage collection/recycling service rate; and 4) use of a projected interest rate of 2.25% on the District's investments. Ms. Jarmon also noted that the District's budget could be amended throughout the year, if necessary. Director Steffes commented that the projected revenues from tap fees seemed low. Ms. Jarmon stated that the revenue projection is conservative, especially if the current rate of development continues within the District. Ms. Bobbitt noted that Mr. Conner is preparing a recommendation

for an increase to the District's tap fees and, therefore, it is likely that the tap fee revenue line item will need to be adjusted on the budget once the increase goes into effect. Mr. Conner stated that the Board must also consider the likelihood of increased repair/maintenance expenses due to the age of the District's water and sanitary sewer system. Director Steffes then questioned the upcoming increase in the North Harris County Regional Water Authority (the "NHCRWA") pumpage fees. Ms. Jarmon explained that the NHCRWA pumpage fee is increasing on April 1st, and is a pass through to the District's customers. Ms. Jarmon noted that the added expense for an additional deputy, as previously discussed by the Board, would need to be added to the budget. Director Warren stated that he thought the Board authorized the addition of another deputy effective January 1, 2005 when the District approved the new Law Enforcement Services Agreement. Mr. Conner explained that the Law Enforcement Services Agreement presented at the December 7, 2004 meeting only included five (5) deputies. Mr. Conner stated that the Law Enforcement Services Agreement would require an amendment to add the sixth deputy and that he had contacted the Precinct 4 office concerning such matter. Ms. Jarmon stated that she would revise the security expense line item to \$300,000 to include the addition of the sixth deputy.

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 budget for the fiscal year ending December 31, 2005, as discussed. Ms. Jarmon stated she would make the necessary revisions and distribute the revised and finalized budget to the Board, General Manager and consultants via email.

Ms. Hall then exited the meeting at 6:25 p.m.

DIRECTOR'S REPORT

Director Thomas reported that he had inspected the District's facilities with Mr. Almaguer on December 17, 2004 and provided a report on such inspection, a copy of which is attached hereto.

Director Thomas explained that all of the items listed on last month's report concerning the Sewage Treatment Plant (the "STP") had been addressed. Concerning the graffiti on the sidewalk at Lift Station No. 1, the Board directed Mr. Conner to purchase a concrete product to float over the surface of the sidewalk to cover over the graffiti. Director Thomas reported that the hatch over the valve pit was not locked at Lift Station No. 2. Concerning Water Plant No. 1, Director Thomas reported that the paint was peeling off of the flashing around the control building and that the wood on the building is peeling and swelling.

Director Thomas then reviewed the seven (7) items requiring attention at Water Plant No. 2, as listed on his report. It was then determined that Jones & Carter will review the Water Plant No. 2 items and make a recommendation to the Board. Director Thomas next reported that the contractor working near Water Plant No. 3 was using the District's residential streets again and had left unsecured oil drums behind the plant site. Mr. Conner noted that the oil drums have been removed and that he has been in contact with the contractor.

Director Warren then reported that he gave Mr. Conner information on several trees in the District's park that require attention. Mr. Conner stated that he would contact a tree service to get cost estimates for trimming the trees, including the removal of any undesirable trees at the park.

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 and authorize the General Manager to obtain cost estimates for the tree trimming and removal at the park.

Director Marks then entered the meeting at 6:38 p.m.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of November 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%, with a four (4) month average of 91.7%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 3,054 connections in the District, including 2,601 residential accounts, 268 builder accounts and 59 vacancies.

Director Warren then asked Mr. Almaguer about the status of the replacement of the sidewalk on Bridgepoint. Mr. Almaguer responded that he did not know the status, but would check into the matter and provide such information to the Board and Mr. Conner.

Mr. Almaguer then referred to an email he had received from Director Thomas regarding several Aqua Services invoices, a copy of which is attached hereto. In response to Director Thomas, Ms. Sears explained that subcontractors are typically used for tasks that cannot be done by the on-site operator. Mr. Almaguer explained that some tasks and/or repair items need to be resolved on short notice. Director Thomas then asked why a meter would be in the middle of a sidewalk. Mr. Conner explained that the tap, meter and fire hydrants in a development are often installed before the sidewalks are poured and, therefore, are set or marked within a certain range off of the property line, which sometimes end up being located in a sidewalk or driveway.

Mr. Almaguer next reported that a fire hydrant in Bridgestone West had been repaired, but had not been able to determine how it was damaged.

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 Operator's Report and to authorize the termination of service to the delinquent accounts.

REVIEW AND DISCUSS STATUS OF ANY EXISTING AND/OR PENDING AGREEMENTS WITH DEVELOPERS

Director Marks stated that he had requested this item on tonight's agenda and that he wanted the developers to identify to the Board any oral agreements and/or understandings they believe they have with the District. Mr. Hudson stated that he did not have a written agreement regarding the developer funding of the maintenance costs of the Gosling Pines detention pond

until such time as the subdivision can be connected to a gravity storm water outfall to be built by Harris County (the "County") and accepted by the Harris County Flood Control District for maintenance. A brief discussion then ensued.

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 Ms. Bobbitt, on behalf of the District, to notify all property owners and developers of projects within the District that all oral agreements and understandings with the District are to be brought to the attention of the Board by a date certain, subsequent to which no oral agreements or implied understandings between the District and a developer will be honored by the District. Ms. Bobbitt stated that the notice would be both mailed and emailed to the developers prior to the January meeting.

Director Steffes then called for a five (5) minute break in the meeting at 6:59 p.m., subsequent to which the meeting continued.

ENGINEER'S REPORT

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

Based on a question from Director Thomas regarding change orders, Mr. Shackelford explained about the use of change orders under the TCEQ rules to make adjustments to construction contracts. Mr. Shackelford noted that recent change orders had been necessary due to certain omissions on the construction plans for projects, but that Jones & Carter has placed tighter requirements on the developers to delay advertising for project bids until Jones & Carter has reviewed the final revisions and/or corrections to project construction plans.

Director Marks then asked if the four (4) replacement boards on the east section of the fence at Water Plant No. 2 would be stained. Mr. Shackelford responded that the boards have not yet been stained due to the fact that they would not match the rest of the fence. Following a discussion, the Board instructed Mr. Conner to have the four (4) replacement boards stained now and wait to see if the entire section of the fence will need to be re-stained later.

Director Marks then reported that the lift station on Kuykendahl Road near Spring Cypress Road had a spotlight that was flickering and appears to need replacement.

Director Steffes reported that the District's signage and the stop sign at the south entrance to Bridgestone West had been removed during renovations to the street entrance and have not been replaced. Mr. Peterson noted that the street is Edgewood Place. Mr. Shackelford stated he would drive through the subdivision and notify the County of what needs to be done with regard to the stop sign. The Board concurred that a stop sign is necessary at that entrance to the District.

Director Warren then asked what the status was on scheduling a joint meeting with the board of directors of Northampton Municipal Utility District ("Northampton"). Mr. Shackelford replied that Northampton had designated the Woodlands office of Jones & Carter as a meeting place, as did this District, and that a joint meeting can now be scheduled. Mr. Shackelford stated he would work on scheduling the joint meeting at the Jones & Carter Woodlands office.

Mr. Peterson noted that Jones & Carter has reviewed the construction plans for the NHCRWA Groundwater Transfer Projects 7B and 7C and forwarded their comments on such plans back to the NHCRWA.

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 Engineer's Report.

GENERAL MANAGER'S REPORT

Mr. Conner then presented his General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first presented execution copies of the Contract for Maintenance and Inspection Services By and Between the District and Storm Water Solutions, LP (the "Maintenance Contract") for the Rhodes Landing detention pond. 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 execution of the Maintenance Contract, a copy of which is attached hereto. Ms. Jarmon asked how the Rhodes Landing Homeowner Association, Inc. (the "RLHOA") would make payments to the District. Ms. Bobbitt stated that the RLHOA is to pay the District on a monthly basis for the detention pond maintenance costs. Ms. Bobbitt stated that she would provide a copy of the Detention Pond Agreement with the RLHOA and confirm the payment procedures with the Sowell & Co. ("Sowell") representative.

Concerning the selection of an electric service provider for the District's facilities, Mr. Conner reported that he had been in contact with Ms. Regina Adams of JRPB concerning the process and procedures for selecting an electric service broker. Mr. Conner explained that there are three (3) energy brokers that he is considering and asked whether the Board wanted to interview the brokers or have him interview and make a recommendation to the Board. Ms. Bobbitt then briefly explained the process for selecting a provider and locking into an electric service rate and recommended that one (1) Board member be designated to work with Mr. Conner due to the very short turnaround time the District has to accept a proposal and lock in a service rate. Director Warren volunteered to work with Mr. Conner on the selection of an electric service broker. Ms. Jarmon noted that the provider's fee is included in the electric service price that they quote to the District and interjected that she had seen a savings of as much as 35% in some of her districts. Mr. Glunt stated that he serves on a board of directors and his district realized a first quarter savings of approximately \$7,000. Director Marks asked who would be responsible for emergency repairs or outages. Mr. Conner stated that it is his understanding that CenterPoint Energy would continue to maintain the lines and respond to emergencies.

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 designate Director Warren as the Board's liaison to work with Mr. Conner to select an electrical service broker and report back to the Board on the matter.

Corporal Coleman then reviewed the monthly Harris County Precinct 4 Constable's Report, a copy of which is attached hereto.

Concerning the reimbursement of bond proceeds to Sowell for the Rhodes Landing detention pond construction costs, Mr. Conner reported that Mr. Peterson had requested a cost estimate from Hahn Equipment Company, Inc. ("Hahn Equipment"), the supplier of the existing pumps, for the replacement of the three (3) pumps at the detention pond. Mr. Conner explained that the Hahn Equipment cost estimate was \$45,339 (\$15,113 per pump), a copy of which is attached hereto, and recommended that the Board accept Sowell's offer and withhold the \$45,339 from the reimbursement amount owed to Sowell. Upon motion by Director Thomas, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Marks voting in opposition, to authorize reimbursement to Sowell in the amount of \$378,091.10 for the Rhodes Landing detention pond construction costs.

Messrs. Hudson and Glunt then exited the meeting at 7:55 p.m.

Mr. Conner next reported receipt of a letter, dated December 8, 2004, from the United States Department of the Interior offering information from tests performed on a shallow ground water observation well in the District and requesting permission to access the well for the annual measurements. A copy of such letter is attached to the General Manager's Report.

Mr. Conner then reported that he had obtained two (2) bids for ant extermination, including a proposal from Cypress Creek Pest Control, Inc. ("Cypress Creek") in the amount of \$1,200 per treatment, and a proposal from Excalibur Pest Control, Inc. in the amount of \$1,815 per year for two (2) treatments. Copies of the proposals are attached to the General Manager's Report. A discussion ensued as to whether the proposals reflected the annual cost for exterminating services. Mr. Conner stated that he will verify the basis of the proposals. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Mr. Conner to clarify the cost per year and number of applications per year proposed by Cypress Creek and to enter into a contract with the firm who submitted the lowest bid.

Mr. Almaguer then exited the meeting at 7:58 p.m.

Mr. Conner then reported that he would have bids from three (3) painting contractors for the painting of the generator sets, control buildings, fuel storage tanks, and other items for the Board's review at the January meeting.

Concerning the installation of water theft signs, Mr. Conner reported that Ms. Sears had contacted Sign Mart in Humble, Texas and was quoted a price of \$50.00 per 24-inch by 24-inch bilingual sign, with a minimum of 10 signs. The Board then discussed posting the signs at the major entrances to the District and at the facility sites. It was then determined that more than 10 signs would be needed. Upon motion by Director Thomas, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the purchase of at least 24 signs and asked Ms. Sears to check with Sign Mart to see if there was any further price break for ordering a larger number of signs.

In conclusion, Mr. Conner submitted copies of his vacation schedule for the remainder of the year, a copy of which is attached to the General Manager's Report.

Director Warren then asked if the District has any liability regarding the Albertsons detention pond and the failure of such facility. Ms. Bobbitt responded that the District has no liability or responsibility for the detention pond, but noted that anyone can sue the District with regard to the detention pond. Mr. Conner reminded the Board that the District had done all it could do within the District's easements, and that the District had repaired the water line when it broke as a result of the detention pond failure and that subsequently, the line supplying water to Albertsons had been turned off in order to protect the District's facilities. Director Marks then asked what the difference was between the Rhodes Landing detention pond and the Albertsons detention pond. Mr. Conner explained that the Albertsons and Kroger detention ponds were private facilities with concrete slopes and deeper than the public detention facilities in the District. Mr. Shackelford added that the District has agreed to assume interim responsibility for maintenance of the other public detention ponds in the District until such time as the County assumes maintenance responsibility for such facilities.

Mr. McGowen then exited the meeting at 8:07 p.m.

Director Marks then asked what is wrong with the Albertsons detention pond. Mr. Shackelford stated that in his opinion, the facility was poorly designed and poorly constructed. Mr. Shackelford added that public detention facilities must be earthen to facilitate repairs and meet both the requirements of the County and the District.

Mr. Conner went on to report that he, the engineers and Ms. Bobbitt were working on a summary of the District's detention facilities and would schedule a special meeting in January to go over the information with the Board. Mr. Conner added that the summary would allow him to track the various detention pond facilities in the District.

Director Warren then asked about the status of the Ditch "C" acceptance by the County. Mr. Shackelford reported that Ditch "C" was close to being accepted for maintenance by the County. Director Warren inquired whether signs need to be posted along the ditch to deter four-wheelers from riding on the ditch. A discussion then ensued regarding such matter. Mr. Shackelford stated that the County will post signs when they accept the ditch for maintenance. Mr. Shackelford suggested that the constables be given a list of the District's ditches and asked to monitor the ditches while they are on patrol. Director Steffes asked Ms. Sears and Mr. Conner to obtain a quote from Sign Mart for "No Dumping, No Trespassing and No Motorized Vehicles" signs for the District's ditches.

NHCRWA NOTICE OF INTENT TO SELL BONDS

Mr. Shackelford then reported that the NHCRWA had recently sent a Notice of Intent to issue \$105 million of bonds in 2005 and offering the District the option to make a capital contribution of \$1,130,394.99 or to pass the District's pro rata share on to the residents in the pumpage fee. A copy of the NHCRWA letter is attached hereto. Mr. Shackelford explained that the District would incur soft costs of approximately 20% in addition to the capital contribution

amount if the capital contribution is included in the District's next bond issue. Ms. Bobbitt explained the process and procedures for making a capital contribution.

A discussion then ensued concerning the timeline established by the NHCRWA for districts to make capital contributions. Ms. Bobbitt reported that the NHCRWA pumpage will increase to \$0.59 per 1,000 gallons of water pumped effective with the second quarter of 2005 through the second quarter of 2006. A copy of the NHCRWA letter regarding the pumpage fee increase is attached hereto. The Board then discussed the pros and cons of making the capital contribution. Director Thomas asked how the homeowner will be affected. Ms. Jarmon replied that it would mean an increase on the water/sewer service bill of approximately \$2.50 per household per month. Further discussion ensued concerning the District's future water expansion requirements. Mr. Shackelford noted that the District will be receiving surface water from the NHCRWA in 2010. Director Warren suggested that information about the NHCRWA's second bond issuance and the increase of the pumpage fee be posted on the District's website. Ms. Bobbitt stated that she would contact Mr. Short to review the capital contribution option. Mr. Shackelford stated that he would contact the NHCRWA to get an estimate of the pumpage fee if the District made the capital contribution.

CONSIDER REQUEST FOR SERVICE TO 1.7-ACRE PERON 2900, LLC TRACT

Mr. Shackelford then reported that Sean Penn and Ronnie Matthews were developing an office building on a 1.7-acre tract of land located on FM 2920 east of Klein United Methodist Church and had requested service to such tract. Mr. Shackelford further noted that the tract of land is within the District and that the capacity requirements were identified in the feasibility study for Northcrest Village (205 acres) and, therefore, there is no action required by the Board at this time.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the Drainage Easement Fence Agreement and Receipt (the "Fence Agreement") for the relocation of a fence currently located on the Drainage Easement that the District is purchasing from Allen Bucchino and Howard Management Service, L.P. ("Howard Management") has been finalized and presented such document for execution by the Board. Ms. Bobbitt noted that Messrs. Shackelford and Conner had assisted with the negotiation of the terms for the Fence Agreement. 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 Fence Agreement, including payment of \$4,500 to Mr. Bucchino and Howard Management for the fence relocation, and to authorize execution of same. A copy of the Fence Agreement is attached hereto.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, January 18, 2005, at 6:00 p.m. at the Bridgestone Community Center.

There being no further business to come before the Board, the meeting was adjourned at 8:55 p.m.

PASSED, APPROVED AND ADOPTED this 18th day of January, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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