

NO. 2005-17
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
August 16, 2005

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, August 16, 2005, 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; Mr. John H. English, P.E. of REKHA Engineering, Inc., engineer for proposed Kids 'R Kids facility within 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. and Ms. Dedra Ecklund of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Karen Sears and Mr. Joe Almaguer of Aqua Services, LP, 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 the Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Mr. Nick Ozuna, Jr. of MHI Partnership, Ltd., developer of the Spring Terrace development within the District; Mr. Jamie Cornelius of Sowell & Co. ("Sowell"), developer of the Rhodes Landing subdivision within the District and the Meadowhill Run subdivision located within Meadowhill Regional Municipal Utility District; Sergeant David Blankenship and Corporal Walter Stensland of the Harris County Precinct 4 Constable's office; Mr. and Ms. Troy Theiss, residents of the Stone Forest subdivision; Ms. Susan Richard, Mr. Gary Palmer and Mr. David Estep, residents of the District; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, 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.

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 the minutes of the special meetings of March 2, 2005 and April 5, 2005 and the minutes of the executive session of March 2, 2005 and April 5, 2005 have been removed from the Consent 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 July 19, 2005 and the minutes of the special meeting of August 9, 2005, as written; 2) authorize advertising for bids, subject to Engineer's receipt, review and approval of project plans and specifications, for the Spring Terrace, Section 7 water, sewer and drainage facilities; 3) review bid tabulations and approve the award of construction contract to Clearwater Utilities, Inc. ("Clearwater") in the amount of \$804,043.63 for construction of the water, sewer and drainage facilities to serve Spring Terrace, Section 5; 4) approve the following pay estimates: (a) Pay Estimate No. 6 in the amount of \$29,921.96 to Triple B Services, LLP ("Triple B") for construction of the Bella Sera detention basin; (b) Pay Estimate No. 5 in the amount of \$34,243.91 to Clearwater for construction of the water, sewer and drainage facilities to serve the Bella Sera development; (c) Pay Estimate No. 1 in the amount of \$23,452.38 to Triple B for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; (d) Change Order No. 1 reflecting an increase of \$8,419.50 to the contract with Big State Excavation, Inc. for construction of the water, sewer and drainage facilities to serve Northcrest Village, Section 1; (e) Pay Estimate No. 4 in the amount of \$102,681.00 to Maverick Contractors, Inc. for construction of the Northcrest Village detention pond; (f) Pay Estimate No. 4 in the amount of \$62,138.95 to Bay Utilities, L.L.C. for construction of the water, sewer and drainage facilities to serve Spring Terrace, Section 3; (g) Pay Estimate No. 1 in the amount of \$30,648.60 and Pay Estimate No. 3 in the amount of \$42,870.60 to Lecon, Inc. for construction of the Villages of Senterra Lakes, Section 1 detention pond improvements; and (h) Pay Estimate No. 2 and Final in the amount of \$13,905.00 to TBA Construction LLC for construction of the waterline extension from Water Plant No. 2 to Bridgestone Lane; 5) acceptance of the water, sewer and drainage facilities to serve Spring Terrace, Section 3 and authorize issuance of taps for such section of development; and (6) approve Developer Reports.

PUBLIC COMMENT

Ms. Richard, resident of 20910 Roydencrest, then addressed the Board and complained that her backyard fence had been damaged by the construction contractor on the Texas Mega Storage tract. Dr. Estep, resident of 21006 Roydencrest, stated that the same contractor had grated dirt up against his fence and had damaged and pushed the fence into his backyard. Director Steffes explained that the developer, Mr. Darren Raines, had been present at the District's July meeting and recommended that the residents contact Mr. Raines directly with their complaints. Mr. Conner stated that he would provide contact information to the residents for Mr. Raines.

REGULAR AGENDA

CONSIDER REQUEST FOR SERVICE FROM KIDS 'R KIDS

Mr. Peterson then introduced Mr. English, engineer for the proposed Kids 'R Kids development to be located on Kuykendahl Road north of Alvin A. Klein Boulevard. Mr. Peterson reported that since the Board's last meeting, the developer had arranged to trade out property to have the entire Kids 'R Kids development located completely within the District's boundaries and not split between the District and Northwest Harris County Municipal Utility District No. 30 ("NW 30"). Mr. Peterson noted that the Kids 'R Kids development will request water and sewer service from the District, rather than from NW 30. Mr. Peterson stated that water and sewer capacity is available to serve the tract of land. Mr. English noted that the development will have on-site detention. Ms. Bobbitt noted that an application for service/annexation would be forwarded to Mr. English on Wednesday.

CONSIDER REQUEST FOR SERVICE/ANNEXATION FROM LOVETT COMMERCIAL (KUYKENDAHL 2920, LTD.)

Mr. Peterson reported that he had not yet received an application for service/annexation from Lovett Commercial for service to a 1.2-acre tract of land located at the northwest corner of Kuykendahl Road and FM 2920.

Messrs. English and Estep then exited the meeting at 6:25 p.m.

UPDATE ON REQUEST FOR SERVICE FROM TEXAS MEGA STORAGE

Mr. Peterson reported that Jones & Carter is in the process of reviewing the storm sewer system capacity downstream of the Texas Mega Storage property. Mr. Conner reported that Mr. Scott Avis of Harris County (the "County") stated that the County had approved the water and sewer plans for the development, but that no approval has been given for the stormwater drainage plan.

Mr. Cornelius then entered the meeting at 6:26 p.m.

Director Thomas then asked why Mr. Raines is pumping stormwater discharge at all without an approved stormwater drainage plan. Mr. Conner stated that the developer is still under the jurisdiction of the County, and that the District does not have jurisdiction over the stormwater drainage plan. Director Thomas then asked how the Board was able to cut-off Sowell earlier this year with regard to their connection to the District's stormwater drainage system. Mr. Shackelford explained that Sowell was discharging from public lines into a public drainage system, and that Texas Mega Storage is discharging from private lines into a public drainage system. Mr. Shackelford noted that the District's advantage with Mr. Raines is that he must obtain water and sewer service from the District. Director Steffes commented that the County made a mistake when they issued Mr. Raines a construction permit for his development.

Mr. Conner went on to report that he has again contacted Mr. Avis of the County to complain about the project and is waiting to hear back from him. Mr. Conner noted that the County must find Texas Mega Storage discharging into the District's public drainage system before they will prosecute on such activity. Director Thomas asked if the District will be

required to provide water and sewer service to the development. Mr. Shackelford stated that the District could refuse to provide water and sewer service to the Texas Mega Storage tract. Mr. Conner stated he would continue to follow-up with the County on the matter.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of July, a copy of which is attached hereto. Ms. Hall reported that 95.9% of the District's 2004 taxes have been collected as of today's date.

Ms. Hall next reported that the Harris County Appraisal District (the "HCAD") has been experiencing problems with their new computer system, and the District's certified tax rolls were not yet ready.

Ms. Hall then reported that concerning Mr. Gene Boswell's complaint that his tract of land is not located within the District, Ms. Hall stated that Mr. Boswell has received delinquent tax statements from Klein Independent School District ("Klein ISD") and the District, but that it appears that his tract of land is not within the boundaries of the District. Ms. Hall noted that Jones & Carter has confirmed that Mr. Boswell's tract of land is not within the boundaries of the District, and that the HCAD has been notified of such information accordingly. Ms. Hall stated that she would continue to monitor the matter.

Director Marks then entered the meeting at 6:42 p.m.

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. Mr. Conner then presented a letter from Mr. Minsch Patel, owner of a vacant tract of land located on FM 2920, a copy of which is attached hereto. Ms. Hall reported that Mr. Patel's land is in fact within the boundaries of the District, such tract being a portion of the land previously owned by Mr. Terpstra and annexed into the District on June 11, 2002 and located west of the NTB/Radio Shack commercial strip. Ms. Hall stated that Mr. Patel owns another tract of land next to this tract that is not within the boundaries of the District. Ms. Bobbitt stated that she would have a letter prepared and sent to Mr. Patel concerning such matter.

Concerning the tract of land owned by Wilbert Hirsch at 20014 Rhodes Road, Ms. Hall reported that Mr. Hirsch claims that he has never been within the boundaries of the District. Ms. Hall and Mr. Peterson then reviewed the boundary map of the District and determined that Mr. Hirsch's claim is valid. Ms. Hall stated she will verify such finding with the HCAD.

Ms. Bobbitt then questioned why 17 lawsuits had already been filed by the delinquent tax attorney and surmised that it was because Klein ISD had already filed suit on the same accounts, due to the fact that such firm is also the delinquent tax attorney for Klein ISD. Ms. Bobbitt

stated that she would confirm this matter with the delinquent tax attorney and email their response to the Board.

Ms. Hall noted that no action was required on the Delinquent Tax Attorney's Report at this time.

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 \$19,895.00 in tap fees was collected during the prior month. Ms. Jarmon then added that check no. 8420 to J & L Services for mowing services was payment of services rendered in April and May.

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 Bookkeeper's Report and the payment of the checks reflected therein.

Ms. Hall then exited the meeting.

DIRECTOR'S REPORT

Director Schkade then reported that he had inspected the District's facilities on August 12, 2005 with Mr. Almaguer and distributed copies of his written report, a copy of which is attached hereto. Director Schkade reported that the soft start device at Water Plant No. 3 had been repaired after replacing the mother board on such equipment four (4) times. Director Schkade went on to review his inspection report with the Board.

Ms. Dold noted that Director Thomas was scheduled to inspect the District facilities for the months of September and October.

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.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of July with the Board, including the termination list, copies of which are attached hereto. Ms. Sears first reported that the District's water accountability ratio for the month was 90.2%, with a four (4) month average of 91.4%, and that there were nine (9) sludge hauls during the month. Ms. Sears added that there are currently 3,921 connections in the District, including 2,772 residential accounts, 319 builder accounts and 672 vacancies. A discussion ensued regarding the large number of vacancies in the District. Ms. Sears stated that she will run a report on the vacancies and email the information to Mr. Conner and the Board.

Ms. Sears then presented a Resolution Approving Additional Payment Services for District Customers (the "Resolution") for the Board's approval and execution and explained that the resolution previously approved by the Board on July 19, 2005 had been revised regarding the access fees for credit card payments due to the passage of House Bill 1935. A copy of the Resolution is attached hereto. Ms. Sears noted that customers will be able to pay their water and sewer service bills by all electronic options, including credit cards, as early as September 1st, with the exception of grocery store payments, which will begin on or about November 1st.

Ms. Sears then reviewed a proposed notice to customers and a proposed text message for inclusion on the next customer billing statement regarding the electronic payment options, copies of which are attached hereto.

Mr. Almaguer then reported that he had received a bid of \$2,500 for the re-staining of the fence at Water Plant No. 2 and Lift Station No. 5. Mr. Almaguer further reported receipt of a letter from the Texas Commission on Environmental Quality regarding Sewage Treatment Plant (the "STP") concerns and a letter from the Environmental Protection Agency regarding requirements for monitoring levels of oxygen in lift stations with wet wells, copies of which are attached hereto. Mr. Almaguer stated that he would send copies of the above-mentioned items to Mr. Conner and Ms. Bobbitt.

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, to authorize the termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order and to authorize execution of the Resolution.

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.

Concerning the North Harris County Regional Water Authority (the "NHCRWA") Projects B and C, Mr. Peterson reported that the construction of the waterline through the District should be completed within the next two (2) weeks, and that the on-site work at Water Plant No. 3 should be completed within the next four (4) to six (6) weeks.

Mr. Peterson then reported that he and Mr. Shackelford are working with Mr. Tom Rolen, Engineer Manager for the NHCRWA, to determine the quantities of water that the District will buy and sell.

Mr. Peterson next recommended payment of the following: 1) Payment Estimate No. 7 and Final in the amount of \$23,887.00 to Excalibur Construction, Ltd. ("Excalibur") for clearing and grubbing work and construction of the detention basin for Senterra Lakes; 2) Pay Estimate No. 1 and Final in the amount of \$11,094.20 to Excalibur for construction of the water, sewer and drainage facilities, clearing and grubbing and detention pond excavation work for Bridgestone Lakes, Section 4; and 3) Pay Estimate No. 1 in the amount of \$85,941.90 to Lone Star Land Clearing, Inc. for clearing and grubbing of Springbrook, Sections 6 and 7.

Mr. Shackelford then reported that he had approached Klein ISD regarding providing a site to the District for the District's future Water Plant No. 4 in exchange for a portion of water

and/or sewer capacity to serve their proposed elementary and middle school project located north of FM 2920 and west of Kuykendahl Road. Mr. Shackelford noted that he will also need to discuss the matter with the NHCRWA regarding depreciated asset credits for Water Plant No. 4.

In conclusion, Mr. Peterson noted that he had distributed a draft of the bond application report for the District's eighth (8th) bond issue in the amount of \$8,490,000, a copy of which is attached hereto.

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 and the three (3) pay estimates outlined above.

GENERAL MANAGER'S REPORT

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

Mr. Conner reviewed the Harris County Precinct 4 Constable's Report with the Board, a copy of which is attached hereto.

Mr. Conner reported that the service agreements with Superior Water Works, Inc. and Electrical Mechanical Services, Inc. were now executed and that their services would begin September 1st.

Concerning the Albertson's detention pond, Mr. Conner reported that the property owners group met in mediation on July 19th, but that nothing was resolved during the mediation. Mr. Conner stated that the case is scheduled for court in February, 2006. Mr. Conner also reported that the Albertson's representatives would like Jones & Carter to participate in the design of the rehabilitation work for the detention pond.

Mr. Conner next reported that the metal roofing material has now been delivered and the STP administrative building roof will be completed tomorrow.

Mr. Conner went on to report that a representative of the Texas Department of Transportation ("TxDOT") was to inspect the outfall drainage ditch from Rhodes Landing Monday a week ago, but did not come. Mr. Conner stated that he called TxDOT four (4) times last week, with no response, regarding the clean-out of the drainage ditch along FM 2920 from the Rhodes Landing outfall to Bridgestone Lane to improve the flow of stormwater from the Rhodes Landing development. Mr. Conner noted that the vegetation in the roadside ditch is causing it to overflow.

Director Thomas then asked for a status report on the proposed hike/bike trail project for the District. Mr. Conner reported that he did not have any additional information on such matter to report at this time. Mr. Conner noted that he was working on a proposed route for the hike/bike trail and then will schedule another special meeting with the Board to further discuss the matter.

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 General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that her firm is continuing to work on the acquisition of the necessary easements for the Villages of Senterra Lakes development. Ms. Bobbitt noted that appraisals had been requested for the parcels owned by the County and the Harris County Flood Control District. Ms. Bobbitt stated that letters have been drafted to the owners of the three (3) Theiss family parcels and reviewed the proposed offers to such property owners. Ms. Bobbitt stated that Jerald Theiss is requesting water capacity in the amount of 6,000 gallons per day average daily flow and annexation of the property at some point in the future when development of the tract occurs. Ms. Bobbitt went on to explain that with regard to the Harold Theiss QTIP Trust tract and the Doris Theiss tract, the property owners are requesting out-of-district water capacity to serve a single-family residence on the Doris Theiss tract, including waiver of the District's tap fee, and that no damage be done to the existing driveway on such tract. Ms. Bobbitt added that her office has not yet received a response from Mr. and Mrs. Johnson, one of the other property owners, regarding the District's request for an easement. Ms. Bobbitt stated that Mr. David Klein has indicated that his family will accept half (1/2) the amount of the HCAD appraised value (\$0.50 to \$0.54 per square foot) for the easement needed on their property. Ms. Bobbitt further reported that Eagle Water Management ("Eagle") has requested additional water/sewer capacity to serve their tract of land in connection with the District's easement request, and that discussions are continuing with Eagle.

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 and authorize submission of the offer letters to Jerald Theiss and to the Harold Theiss QTIP Trust, as outlined above, for the necessary easement acquisitions.

Ms. Bobbitt reported that the Board had been provided a copy of the 79th Legislative Session summary, a copy of which is attached hereto.

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 Attorney's Report.

Sergeant Blankenship and Corporal Stensland then entered the meeting at 7:45 p.m.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, September 20, 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.

PASSED, APPROVED AND ADOPTED this 20th day of September, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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