

NO. 2005-4

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
February 15, 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, February 15, 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; 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 the Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Mr. Michael Baldwin, P.E. of Provident Engineers, Inc., engineers for the developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes and Villages of Senterra Lakes subdivisions within the District; Mr. David McGowen of DR Horton, Inc., developer of the Bella Sera subdivision within the District; Mr. Ron Walkoviak of Development Consultants Inc., development manager of the Spring Terrace subdivision within the District; Mr. Beto Bautista, P.E. of Centex Homes, developer of the Spring Terrace subdivision within the District; Mr. John Moy, Project Manager of LJA Engineering & Surveying, Inc. ("LJA"), engineers for the Spring Terrace subdivision within the District; Ms. Juanita Orsak, Director of Land Development for Parkside Homes ("Parkside") a K. Hovnanian company, developer of a tract of land located within the boundaries of Meadowhill Regional Municipal Utility District ("MRMUD"); Mr. Jamie Cornelius of Sowell & Co. ("Sowell"), developer of the Rhodes Landing subdivision within the District and the Meadowhill Run subdivision located in MRMUD; Mr. John Cannon

of Winstead Sechrest & Minick PC, representing Sowell regarding the Meadowhill Run subdivision; Corporal Dean Coleman of the Harris County Precinct 4 Constable's office; Messrs. Gary Palmer and Jeffery B. Haneline, residents of the District; 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 first 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. Ms. Bobbitt noted that the minutes of the Executive Session of January 18, 2005 had been added to the Consent Agenda for the Board's approval and that the minutes of the special meeting of January 12, 2005 had been removed from the Consent Agenda.

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 following Consent Agenda items: 1) the minutes of the regular meeting of January 18, 2005 and the Executive Session minutes of January 18, 2005; 2) approve and authorize execution of offsite easements for Spring Terrace, Section 3; 3) authorize advertising for bids, subject to Jones & Carter's receipt, review and approval of project plans for the Northcrest Village, Section 2 water, sewer and drainage facilities; 4) review bid tabulations and award construction contract for Spring Town Center, Phase III 8-inch public water line extension; 5) approve the following pay estimates and change orders: (a) Pay Estimate No. 1 in the amount of \$616,679.12 to Clearwater Utilities, Inc. for construction of the Bella Sera water, sewer and drainage facilities; (b) Pay Estimate No. 2 and Final in the amount of \$21,162.22 and Change Order No. 1 in the amount of \$5,684.12 to C.E. Barker, Ltd. for construction of the 18-inch sewer trunk line to serve Northcrest Village, (c) Pay Estimate No. 1 in the amount of \$78,516.22 to Lone Star Land Clearing, Inc. for clearing and grubbing in Springbrook, Section 4; (d) Pay Estimate No. 11 in the amount of \$24,005.12 to Cravens Partners, Ltd. for construction of the lift station and off-site utilities to serve Spring Terrace; (e) Pay Estimate No. 5 in the amount of \$5,873.85 to S. Holland Co., Inc. for construction of water, sewer and drainage facilities to serve Stone Forest, Section 4; and 6) Developer Reports.

PUBLIC COMMENT

The Board then recognized Mr. Bautista, who, on the behalf of Centex Homes, asked the Board to consider accepting the Spring Terrace pump station for maintenance now rather than waiting for the one (1) year warranty period to expire. Director Steffes recommended that

Mr. Bautista discuss the matter with Mr. Conner. Mr. Peterson stated that he would contact LJA to further address the issue.

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 January, a copy of which is attached hereto. Ms. Hall reported that 91% of the District's 2004 taxes have now been collected as of today's 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. No action was required on such Report.

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 five (5) certificates of deposit had recently been purchased to take advantage of the improved interest rates.

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.

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

APPROVE RIGHT OF ENTRY AND POSSESSION TO THE NORTH HARRIS COUNTY REGIONAL WATER AUTHORITY (THE "NHCRWA") FOR PROJECT 7C

Mr. Shackelford then explained that the NHCRWA right-of-way easement acquisition team had requested a Right of Entry and Possession from the District concerning the construction of a 16-inch water line from the NHCRWA's main transmission line to the District's Water Plant No. 3. Mr. Shackelford noted that once the water line has been constructed, the NHCRWA would prepare an "as built" easement for the actual location of the water line. Mr. Shackelford stated that the construction of the line is expected to begin in April.

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 authorize execution of the Right of Entry and Possession, a copy of which is attached hereto.

REQUEST FROM PARKSIDE AND UPDATE ON MEADOWHILL RUN STORM SEWER CONNECTION

Director Steffes next noted that items 5 and 6 on the regular agenda would be deferred until the engineers receive additional information from the Harris County Flood Control District (the "HCFC").

AUTHORIZE EXECUTION OF AGREEMENT FOR FINANCING OF FACILITIES FOR PHASES III AND IV OF SPRING TOWN CENTER

Mr. Shackelford then explained that NewQuest Properties ("NewQuest") is going to develop Phases III and IV of Spring Town Center, commercial tracts fronting on Kuykendahl Road and north of the Wal-Mart tract, and will need to extend the 8-inch water line on Kuykendahl Road approximately 2,500 to 3,000 feet from the Wal-Mart tract. Ms. Bobbitt stated that in light of such matter, the District needs to enter into an Agreement for Financing of Facilities with NewQuest for extension of the water line.

Ms. Bobbitt also reported that it would be necessary to amend the current Agreement for Financing of Facilities regarding the commercial tract located in the northwest corner of FM 2920 and T.C. Jester in the Bella Sera development.

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 authorize Ms. Bobbitt to prepare the items discussed above and to authorize execution of same.

DIRECTOR'S REPORT

Director Warren then reported that he had recently inspected the District's facilities with Mr. Almaguer for the month of February. Director Warren reported that all facilities needed mowing. Director Warren first noted that the Sewage Treatment Plant sampler room vents and doors need replacing. Director Warren further reported that Lift Station Nos. 4 and 5 need new address signs. Director Warren also noted that the hydropneumatic tanks at Water Plant No. 1 need repainting. Mr. Conner responded that there are now several painting projects in the District and recommended that the Board authorize Jones & Carter to put together specifications for all of the painting projects and to advertise for bids for such work. 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 Director's Report and to authorize Jones & Carter to prepare the necessary plans and specifications for the various facility painting projects.

Ms. Orsak then entered the meeting at 6:30 p.m.

OPERATOR'S REPORT

Ms. Sears then reviewed the Operator's Report for the month of January 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 92%, with a four (4) month average of 92.5%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that there are currently 3,549 connections in the District, including 2,645 residential accounts, 295 builder accounts and 479 vacancies. Ms. Sears then reviewed the termination list with the Board.

Director Schkade then questioned the Aqua Services invoice regarding the work performed at 5931 FM 2920 and asked whether such location is a commercial or residential tract. Ms. Sears stated that she would check on the matter, but stated that the inspection fee would be the same for both a commercial and a residential tract. Director Schkade also asked about a charge for the relocation of a blow-off valve on Starcraft Court. Ms. Sears stated that such charge will be backcharged to the contractor.

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.

ENGINEER'S REPORT

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

Mr. Peterson then reported that the Texas Commission on Environmental Quality (the "TCEQ") had inspected the Spring Terrace, Sections 1 and 2 facilities and that the contractor has completed the various punch list items. Concerning the Spring Terrace lift station and off-site utilities, Mr. Peterson reported that there are several punch list items remaining to be completed prior to the District's acceptance of the facilities for maintenance. Mr. Peterson then noted that the Spring Terrace stormwater pump station had also been inspected by the TCEQ, and that there was not a requirement for it to be operated by a licensed operator, and that the Spring Terrace detention pond into which the stormwater pump station discharges has not yet been completed. Mr. Peterson stated that he does not recommend that the Board accept the stormwater pump station for maintenance until the detention pond is complete and after the one (1) year warranty/maintenance period is completed. Mr. Shackelford stated that this policy was consistent with how the District has handled facilities for other developments in the past. Mr. Bautista inquired if Centex Homes could appeal this decision to the Board. Director Steffes again stated that Mr. Bautista should contact Mr. Conner and Ms. Bobbitt in order for the Board to further address this matter at a future regular or special meeting of the Board. Mr. Cannon asked if a date had been identified for a special meeting of the Board. Mr. Conner stated that the special meeting would be scheduled after he and Jones & Carter hear from the HCFCD regarding the Meadowhill Run stormwater connection to the Bridgestone Lakes detention pond.

Ms. Hall then exited the meeting at 6:50 p.m.

Mr. Shackelford next reported that KB Home ("KB") and Harris County Precinct Four (the "County") are discussing the possible joint construction of T.C. Jester Boulevard ("T.C. Jester") from the Windrose subdivision north to FM 2920 through a joint effort by KB and the County. Mr. Shackelford explained that the construction would consist of the extension of the north and south lanes of T.C. Jester north along the existing storm sewer system, and that the District has been asked if it would be willing to serve as the public entity to manage the construction project in order for the project to proceed along a faster track. Mr. Shackelford noted that the District would enter into a three (3) party agreement similar to the agreement the District had with the County for the Ditch "C" project, and KB and the County would provide 100% of the funding for such project, including engineering, construction, materials testing and inspection fees. Mr. Shackelford noted that the storm sewer and related utilities associated with the project, other than paving, would be items eligible for reimbursement by the District. Mr. Shackelford further explained that Jones & Carter is doing the engineering work for KB, and that Jones & Carter would likely do the design work on the T.C. Jester extension project. Ms. Bobbitt stated that the District would prepare the interlocal agreement and would be able to charge an administrative fee to the County and KB to recoup any out-of-pocket expenses associated with the project. Director Warren asked Ms. Jarmon if she saw any problems with the District administering the project. Ms. Jarmon stated that she did not see any problems with the proposed project. The Board then stated that they had no objections to the District serving as the construction manager for the T.C. Jester extension project.

Director Steffes expressed concern regarding the area in Spring Forest that is being used as a motocross track for bicycles and motorcycles. Mr. Shackelford stated that he would contact Mr. Erik Haaland, the Stone Forest development manager, regarding the matter.

Director Steffes then asked about the status of Ditch "A." Mr. Shackelford responded that Jones & Carter is preparing the cost estimate for the necessary work and suggested that this be a topic for a special meeting of the Board.

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 the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto. Mr. Conner reported that he expected Mr. Mike Harrington of American Enerpower to attend tonight's meeting to discuss retail electric provider ("REP") brokers and his company, but that Mr. Harrington had not yet arrived at the meeting. Ms. Bobbitt then presented copies of a memorandum prepared by Ms. Regina Adams of JRPB regarding such matter, a copy of which is attached hereto.

Mr. Conner next reported that he had discussed with Mr. Shackelford the possibility of Jones & Carter dedicating a full-time engineer to the District due to the volume of construction activity and development in the District. Mr. Shackelford stated that he and Mr. Peterson had discussed the concept and recommended the addition of an engineer-in-training ("EIT") to do

plan reviews and handle correspondence items. Mr. Shackelford stated that the addition of an EIT would help alleviate some of the mounting administrative duties that are keeping Messrs. Shackelford and Peterson from working on more substantive engineering matters. Mr. Conner stated that the EIT would maintain a log to keep track of the incoming data and projects. Director Marks then inquired if it would be necessary to revise the Jones & Carter contract to reflect the addition of an EIT. Mr. Shackelford stated that no contract revisions would be necessary since he would only be allocating additional manpower to handle the District's work. Director Marks then stated that the matter should be further discussed at a special meeting of the Board.

The Board next discussed scheduling a special meeting. Director Thomas stated that the meeting room is available on February 24th and March 1st. Mr. Shackelford stated that he had conflicts on both nights. Mr. Conner stated that he would canvass the Board regarding the date of a special meeting and notify Ms. Bobbitt accordingly.

Mr. Conner next reported that a representative of the Harris County Pollution Control Department ("Pollution Control") had contacted him to obtain information regarding the owners of the Albertson's tract regarding corrective actions needed on the failed detention pond. Mr. Conner further reported that he has scheduled a meeting with Pollution Control and Mr. Jose Gross on Thursday, February 17, 2005 to discuss the detention pond matter.

Mr. Conner next reviewed the memorandum from Ms. Adams of JRPB regarding a meeting with Director Warren and Mr. Conner on February 9, 2005, which was briefly discussed earlier in the meeting. Mr. Conner then stated that he and Director Warren recommend a six (6) month contract for the District's first contract for electric service. Director Marks commented that he thought the Board discussed this matter six (6) or seven (7) years ago. Ms. Bobbitt stated that the Board discussed the deregulation of utilities when it occurred several years ago, but that the process and procedures for selecting an electric service provider have changed significantly since that time, and that this is the first time the District has utilized a broker to obtain an electric service provider contract.

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 approve the General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then reviewed a memorandum from Mr. Carlin Short, the District's financial advisor, regarding the District's option to make a capital contribution of \$1,130,394.99 to the NHCRWA, rather than paying the District's share of the NHCRWA's capital projects through pumpage fees. Ms. Bobbitt noted that the deadline for submitting an Intent Resolution to the NHCRWA is today, February 15, 2005. A brief discussion of the matter then ensued. Director Warren stated that he wanted to provide the residents of the District with information regarding the increase in the NHCRWA pumpage fees that become effective beginning the second quarter of this year and make them aware of the significant pumpage fee increase.

Corporal Dean Coleman then entered the meeting at 7:32 p.m.

Ms. Bobbitt then suggested that the Board modify the letter previously sent to the residents concerning the implementation of the NHCRWA's initial pumpage fees. Ms. Bobbitt stated that her office would try to locate the initial letter sent to residents about the NHCRWA pumpage fees and forward it to Mr. Conner. Director Thomas suggested that the District's website include a link to the NHCRWA's brochure regarding the increase in pumpage fees. Director Thomas stated that he would contact Ms. Barbara Payne on this matter.

Corporal Coleman then reviewed the Constable's Report for the month of January, a copy of which is attached hereto. Mr. Conner reported that the revised Interlocal Agreement for Law Enforcement Services had been executed by the District and submitted to the County to be approved and executed.

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 Attorney's Report.

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 Mr. Conner's recommendation to enter into a contract with American Enerpower to serve as the District's REP broker. Mr. Conner stated that Mr. Harrington would require historical usage data from Ms. Jarmon in order to proceed with obtaining electric service contract prices for the District.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, March 15, 2005, at 6:00 p.m. at the Bridgestone Community Center. Director Schkade noted that he would not be able to attend the March meeting.

Mr. Conner then noted that he would be out of the office on Wednesday, February 16th.

There being no further business to come before the Board, the meeting was adjourned at 7:55 p.m.

PASSED, APPROVED AND ADOPTED this 15th day of March, 2005.

/s/Jerry Thomas

Assistant Secretary, Board of Directors

(DISTRICT SEAL)