

NO. 2005-19

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

September 20, 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, September 20, 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. L. Carlin Short, II, financial advisor for 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; Mr. Joe Almaguer of Aqua Services, LP ("Aqua Services"), operators for the District; Ms. Kimberly Courte of Anco Wessendorff Insurance ("Anco"), insurance representative for the District; Mr. Gary Montgomery, P.E. of Montgomery & Associates, engineers for the Texas Mega Storage development; 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. Tim Early, Vice President of Land Development for K Hovnanian of Houston, L.P., dba Parkside Homes; Sergeant David Blankenship and Corporal Walter Stensland of the Harris County Precinct 4 Constable's office; and Ms. Robin S. Bobbitt and Mr. Lewis Kasner, attorneys, 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. Mr. Peterson stated that item B.3.a. had been authorized at the August meeting and asked that the item be removed from the Consent 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 sessions 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 August 16, 2005, as written; 2) authorize advertising for bids, subject to the Engineer's receipt, review and approval of project plans and specifications, for the construction of the 12-inch offsite water line to serve Villages of Senterra Lakes; 3) review bid tabulations and approve the award of construction contract to Kenneth Lamb Construction Co., Ltd. in the amount of \$1,297,978.22 for construction of the water, sewer and drainage facilities to serve Villages of Senterra Lakes, Section 1; 4) approve the following pay estimates: (a) Pay Estimate No. 6 and Final in the amount of \$15,502.07 to Clearwater Utilities, Inc. for construction of the water, sewer and drainage facilities to serve the Bella Sera development; (b) Pay Estimate No. 2 in the amount of \$365,057.91 to Triple B Services, LLP for construction of the water, sewer and drainage facilities to serve Bridgestone Lakes, Section 4; (c) Pay Estimate No. 1 to B & D Construction Co., Inc. ("B & D") in the amount of \$348,104.59 for construction of the water, sewer and drainage facilities to serve Northcrest Village, Section 2; (d) Pay Estimate No. 5 in the amount of \$164,479.05 to Maverick Contractors, Inc. for construction of the detention pond to serve the Northcrest development; (e) Pay Estimate No. 1 in the amount of \$25,185.85 to B & D for construction of the water, sewer and drainage facilities to serve Springbrook, Section 6; (f) Pay Estimate No. 4 in the amount of \$62,138.95 to Bay Utilities, LLC for construction of the Spring Terrace, Section 3 water, sewer and drainage facilities; (g) Pay Estimate No. 12 and Final in the amount of \$32,317.13 to Craven Partners, Ltd. for construction of the lift station and offsite utilities to serve Spring Terrace; and (h) Pay Estimate No. 4 in the amount of \$113,350.50 to Lecon, Inc. for the construction of the detention pond to serve the Villages of Senterra Lakes development; 5) ratify the approval of the minutes of the special meeting of August 9, 2005; 6) authorize Jones & Carter to proceed with the feasibility study regarding the request for service to a 20-acre tract of land within the District from Jim West and Bob Hudson; 7) authorize execution of the Temporary Construction Easement for Springbrook, Section 6; 8) authorize execution of the contract with SAMCO Leak Detection Services, Inc. ("SAMCO"); and 9) approve Developer Reports.

REGULAR AGENDA

DISCUSS 2005 TAX RATE

The Board then recognized Mr. Short, who distributed copies of his 2005 tax rate recommendation, a copy of which is attached. Mr. Short explained that his recommendation assumes that the District will continue its strategy adopted in previous years of under levying its debt tax rate and maintaining the option of transferring funds from the General Fund to the Debt Service Fund, if necessary. Mr. Short noted that his recommendation is to levy a total 2005 tax rate of \$0.76 per \$100 assessed valuation, comprised of \$0.51 for debt service purposes and \$0.25 for operation/maintenance purposes. Mr. Short also recommended that the minutes reflect that funds will be transferred from the District's operation and maintenance tax revenues to the Debt Service Fund, if necessary.

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

A discussion ensued concerning the 2005 tax rate. Director Warren suggested that the Board wait until Director Marks arrives to take any action on the 2005 tax rate.

Mr. Hudson then entered the meeting at 6:17 p.m.

RENEWAL OF INSURANCE COVERAGES

Mr. Conner next reported that he had reviewed and analyzed the insurance proposal from Anco and recommended that the Board renew its insurance coverages with Anco. The Board then stated that the matter be deferred until Director Marks arrives at the meeting.

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

Ms. Dold reported that a \$3,000 deposit and an Application for Service/Annexation had been received from Lovett Commercial for service to and annexation of a 1.2-acre tract of land located at the northwest corner of Kuykendahl Road and FM 2920. Mr. Peterson stated that no feasibility study is required on the tract, because the tract was included in a previous feasibility study. 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 the attorney and engineer to proceed with the annexation of the 1.2-acre tract of land.

UPDATE ON REQUEST FOR SERVICE FROM TEXAS MEGA STORAGE

Mr. Shackelford reported that he, Ms. Bobbitt and Mr. Conner participated in a conference call with Mr. Darren Raines, Mr. Montgomery and Mr. Tim Green of Coats Rose Yale Ryman Lee, P.C. earlier today concerning the Texas Mega Storage tract and the drainage issues concerning such property. Mr. Conner stated that further discussions with Texas Mega Storage will occur and that a special Board meeting will likely be scheduled regarding such matter.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of August, a copy of which is attached hereto. Ms. Hall reported that 96.4% of the District's 2004 taxes have been collected as of today's date.

Ms. Courte then exited the meeting at 6:28 p.m.

Concerning Mr. Gene Boswell's complaint that his tract of land is not located within the District and, therefore, not subject to taxation by the District, Ms. Hall stated that she is trying to resolve the matter with the Harris County Appraisal District. Ms. Bobbitt stated that Mr. Kasner of her office will review the District's annexation records to try to resolve the matter.

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 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 Mr. Minsch Patel had paid his delinquent taxes upon receipt of a letter from JRPB explaining and confirming that his property is located within the boundaries of the District.

Ms. Bobbitt then reported that the 17 lawsuits that had been reflected on last month's Delinquent Tax Attorney's Report (the "Delinquent Report") were filed because Klein Independent School District ("Klein ISD") had filed suits on the accounts and that the District had been included in such suits since Perdue, Brandon, Fielder, Collins & Mott, L.L.P., the District's delinquent tax attorney, also represents Klein ISD.

Mr. Montgomery then exited the meeting at 6:30 p.m.

Ms. Bobbitt noted that in Section I of the Delinquent Report, item nos. 6 and 9 were duplicate entries. Ms. Hall stated that she would contact Mr. Peter Terpstra regarding his delinquent account listed in Section II of the Delinquent Report.

Concerning the tract of land owned by Wilbert Hirsch at 20014 Rhodes Road, Ms. Bobbitt stated that her office would contact Mr. Hirsch and prepare a letter informing him that his property is located within the District's boundaries.

Ms. Hall noted that no Board action was required on the Delinquent 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 the District had recently received approval from the Texas Commission on Environmental Quality to release \$241,524 in escrowed funds and use of \$188,206 in surplus funds from the proceeds of the District's Series 2004 Bonds for payment of developer interest. Ms. Jarmon also reported that check nos. 1329 through 1336 had been written to pay the remaining developer interest included in the Series 2004 bond issue. Ms. Bobbitt stated that her office would arrange for the delivery of the developer interest checks and corresponding facility conveyance documents. Ms. Jarmon noted that there were 75 customer refund checks processed for payment at tonight's meeting. In conclusion, Ms. Jarmon noted that she had written check no. 8594 to Gore-Tex Construction in the amount of \$11,900 for the new roof on the building at the District's Sewage Treatment Plant (the "STP") and check no. 8595 to Deloris Theiss in the amount of \$65.00 for tonight's meal.

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, the investment report and the payment of the checks reflected therein.

DIRECTOR'S REPORT

Director Thomas then reported that he had inspected the District's facilities on September 15, 2005 with Mr. Almaguer, but did not have a written report for tonight's meeting. Director Thomas noted that the STP had a very bad odor recently and during the inspection. Mr. Conner stated that high temperatures caused the odor.

Concerning the District's various lift stations, Director Thomas noted that Lift Station Nos. 1 and 2 have bolts sticking up from the base that need to be cut flush to the ground. Director Thomas stated that the diesel fuel lines at Lift Station No. 4 need to be fastened to the ground.

Director Thomas next reported that Water Plant No. 3 looked good, but that the streets in the area have a significant amount of mud and debris on them as a result of the Project 7B work being done by the North Harris County Regional Water Authority ("the "NHCRWA"). Director Thomas requested that Mr. Conner contact the NHCRWA and request that the contractor clean up the streets.

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 Director's Report.

OPERATOR'S REPORT

Mr. Almaguer next reviewed the Operator's Report for the month of August with the Board, including the termination list, copies of which are attached hereto. Mr. Almaguer first reported that the District's water accountability ratio for the month was 85.5%, with a four (4) month average of 87.7%, and that there were five (5) sludge hauls during the month. Mr. Almaguer added that there are currently 3,374 connections in the District, including 2,783 residential accounts, 326 builder accounts and 95 vacancies. Mr. Almaguer noted that the

number of vacancies had been incorrect on several of the previous reports and has now been corrected.

A lengthy discussion ensued regarding the District's low water accountability ratio and what can be done to improve the accountability. Director Steffes stated that in an entity the size of the District and with the large amount of construction going on in the District, there will be a loss of water and a decrease in the water accountability ratio. Director Steffes also noted that the District's meter accuracy is better today than five (5) or six (6) years ago due to the meter replacement program that has been in place. Mr. Conner interjected that during a growth phase, there will also be a water loss problem, especially from the significant amount of line flushing that is necessary to keep the water in the lines fresh. Mr. Conner also noted that SAMCO will be conducting inspections during the next several months to identify line leak problems in the District.

Mr. Almaguer next discussed the action that Aqua Services is taking to prepare the District's facilities for Hurricane Rita that is currently out in the Gulf of Mexico. Mr. Almaguer noted that they will be filling the fuel tanks on the generators and will rotate the use of the generators to maximize the run times and that the lift stations will be run manually to save fuel. Mr. Almaguer stated that in the event of a communication outage, the Aqua Services representative will meet at Water Plant No. 3 to do any necessary planning and coordination. The Board instructed Aqua Services to notify the developers in the District to remove the trash, debris and sand bags in their respective developments to minimize any drainage problems and/or damages to District facilities.

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 in accordance with the provisions of the District's Rate Order.

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 NHCRWA Projects 7B and 7C, Mr. Peterson reported that the construction of the waterline through the District is nearly complete and that the on-site work at Water Plant No. 3 should be completed within a few weeks.

Mr. Shackelford then reported that he has determined that the District will require additional water plant capacity and water supply capacity within the next 18 to 24 months, depending on the build-out rate of the existing developments in the District. Mr. Shackelford went on to explain that he and Mr. Conner had recently met with Mr. Tom Ricker of Klein ISD to discuss the possibility of the District acquiring a two (2) to three (3) acre site out of the Klein ISD 100-acre tract for use as the future Water Plant No. 4 site. Mr. Shackelford also reported that he had talked with Mr. Tom Rolen, Engineer Manager for the NHCRWA, regarding the District purchasing water from the NHCRWA in 2007 and beyond. Mr. Shackelford noted that the amount of water that the District will need cannot be delivered by the NHCRWA at one (1)

delivery point at Water Plant No. 3, and that some amount of water will need to come through an additional delivery point at the proposed Water Plant No. 4 site.

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

Mr. Conner stated that the Harris County Precinct 4 Constable's Report had been previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner reported that in addition to the special meeting scheduled for September 28th, to discuss the installation of a hike and bike trail in the District, he would also schedule a special meeting for October 4, 2005 to discuss several other matters, including the Texas Mega Storage development and drainage issues.

Concerning the Albertson's detention pond, Mr. Conner reported that a court date had been set in February, 2006 for the parties to litigate a number of issues concerning the Albertson's development. Mr. Conner also noted that a new gas station has been opened on the Albertson's site.

Mr. Conner went on to report that Superior Water Works had begun work on a sanitary manhole and collection system survey.

Mr. Conner next reported that Electrical Mechanical Services, Inc. has initiated the painting work at Water Plant Nos. 1 and 2.

Concerning Water Well No. 3, Mr. Conner explained that there are still problems with the control panel that was damaged by lightning on July 10, 2005. Mr. Conner noted that the rental motor will remain in place until the problem is resolved.

Mr. Conner then reported that he and representatives of Jones & Carter had met with representatives of the Texas Department of Transportation ("TxDOT") and Harris County (the "County"), at Representative Debbie Riddle's office to discuss concerns over FM 2920 stormwater drainage issues and the resulting flooding from the stormwater that is pumped from Rhodes Landing into TxDOT roadside ditches along FM 2920. Mr. Conner noted that the primary problem that was identified is the growth of vegetation in the TxDOT roadside ditches. Mr. Conner reported that Mr. Doug Stephens of TxDOT has confirmed that TxDOT will clean and re-grade the north and south roadside ditches from the Rhodes Landing stormwater discharge point down along FM 2920 to Bridgestone Lane. Mr. Conner added that TxDOT has also committed to clean the north side roadside ditch from Gosling Road to Rhodes Road. Mr. Conner then referred the Board to a summary sheet regarding the meeting with TxDOT, a copy of which is attached hereto.

The Board then discussed how to proceed regarding additional security in the District. Mr. Conner explained that Sergeant Blankenship is now eligible to be promoted to a Lieutenant as soon as a position becomes available. The Board then discussed whether it was desirable to request Harris County Precinct No. 4 to place Sergeant Blankenship solely in the District, which would also result in the creation of a Lieutenant position. Further discussion ensued.

Upon motion by Director Warren, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board authorized Mr. Conner to prepare a letter to Harris County Precinct No. 4 requesting that a position be created for Sergeant Blankenship in the District as a Lieutenant.

Director Marks then entered the meeting at 7:35 p.m.

Further discussion then ensued concerning the difference in security costs for 70% security coverage versus 100% security coverage in the District. Mr. Conner stated that he would request the cost information from the Precinct 4 office.

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 General Manager's Report.

ATTORNEY'S REPORT

Ms. Bobbitt then introduced Mr. Kasner, as a new associate with JRPB.

Mr. Glunt then exited the meeting at 7:40 p.m.

Concerning the preparation of the Cost Sharing Agreement for Joint Detention Facilities for the Spring Terrace and Bella Sera subdivisions (the "Cost Sharing Agreement"), Ms. Bobbitt reported that she has now received additional comments from the various parties to the Cost Sharing Agreement and will finalize such agreement for execution by the parties.

Ms. Bobbitt then reported that Mr. Kasner is working on the Interlocal Agreement for the Extension of T.C. Jester Boulevard by and among the District, the County and KB Home Lone Star LP.

Concerning the status of acquisition of the necessary easements for the Villages of Senterra Lakes development, Ms. Bobbitt reported that the two (2) appraisals had been completed for the parcels owned by the County and the Harris County Flood Control District and that the County is in agreement with the valuations, although the issue of whether or not the easements will be exclusive is still under discussion. Ms. Bobbitt went on to report that Mr. David Klein, et al., has agreed to accept \$0.45 per square foot for their portion of the easement. Ms. Bobbitt stated that Ron and Craig Theiss, the heirs of Harold and Doris Theiss, had not requested anything in return for the Harold Theiss QTIP trust easement, but had requested a residential water connection with out-of-District water rates and non-disturbance of the driveway for the Doris Theiss easement. Ms. Bobbitt next stated that Randall and Barbara Johnson have requested a two inch (2") tap, out-of-District service rates and that the waterline be bored under their existing water well and swimming pool displays. Ms. Bobbitt next explained

that Jerald and Kay Theiss and Shirley and Douglas Weidemann are requesting a water connection to serve their property, including a capacity allocation of 6,000 gallons per day and for annexation into the District at no cost (excluding platting costs) at the time the use of the land changes. Ms. Bobbitt added that Eagle Water Management, Inc. has requested annexation and additional capacity to serve the property located behind their office building at such time the land use changes and for the line to avoid its existing water well.

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 requests of the landowners outlined above in connection with the easement acquisitions and to authorize Ms. Bobbitt to proceed with the issuance of the necessary offer letters.

Sergeant Blankenship and Corporal Walter Stensland then entered the meeting at 7:50 p.m.

Director Warren then asked Ms. Bobbitt if the District had ever condemned any property. Ms. Bobbitt stated that to the best of her knowledge, and since she has represented the District beginning in 1989, the District has not exercised its powers of eminent domain. Director Warren expressed his issues regarding Klein ISD's usage of condemnation powers and asked Ms. Bobbitt to confirm whether the District has ever condemned property.

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.

RENEWAL OF INSURANCE COVERAGES

Mr. Conner then reviewed the Board's prior discussion concerning Anco's proposal for the renewal of the District's insurance coverages with the premium in total being \$24,385, which represents only a slight increase due to increased value of the District's property and facilities. Mr. Conner reiterated his recommendation that the Board renew its insurance coverages with Anco. 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 renewal of the insurance coverages with Anco and authorize the execution of the renewal proposal, a copy of which is attached hereto.

REVIEW OF PROPOSED 2005 TAX RATE

Mr. Short then reviewed his 2005 tax rate recommendation and explained that he is recommending the levy of a total 2005 tax rate of \$0.76 per \$100 assessed valuation, comprised of \$0.51 for debt service purposes and \$0.25 for operation/maintenance purposes, and that he is also recommending that the minutes reflect that funds will be transferred from the District's operation and maintenance tax revenues to debt service, if necessary. Director Marks asked what would happen to the tax rate when the District sells additional bonds. Mr. Short explained that the District could use surplus maintenance taxes for any additional debt service incurred due to the sale of additional bonds, if necessary. Further discussion of the 2005 tax rate ensued.

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 reduce the District's debt tax rate to \$0.50 per \$100 of assessed valuation and to maintain a maintenance tax rate of \$0.25 per \$100 of assessed valuation for a total 2005 tax rate of \$0.75 per \$100 assessed valuation, to authorize the Tax Assessor/Collector to publish the net effective tax calculation and notice of the public tax hearing on the 2005 tax rate to be held at the regular meeting scheduled for October 18, 2005.

Mr. Short then exited the meeting at 8:10 p.m.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, October 18, 2005, at 6:00 p.m. at the Bridgestone Community Center. Ms. Bobbitt stated that she would schedule a special meeting for Tuesday, October 4, 2005, at 7:00 p.m., as discussed earlier in the meeting. Director Thomas reported that after September 27th, he has reserved the meeting place for every Tuesday to accommodate the District's special meetings.

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

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

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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