

NO. 2005-11
MINUTES OF MEETING
OF
BOARD OF DIRECTORS
May 17, 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, May 17, 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. Mike McCall of McCall Gibson & Company, PLLC, auditors 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. 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; Ms. Shawn Lazenby Project Manager for Peron Development, Inc., developer of the Bella Sera, Villages of Bridgestone and Northcrest Village subdivisions within the District; Mr. Todd Jones of DR Horton, Inc., developer/homebuilder in the Bella Sera subdivision within the District; Mr. Jamie Cornelius of Sowell & Co., 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 Dean Coleman of the Harris County Precinct 4 Constable's office; Mr. Fred Grundmeyer and Mr. Bruce Mosal representing the Spring Golf Center; Mr. Wray Strohmaier, Project Manager for INTEX Building Systems, L.L.C., representing the owner of a 9.0-acre tract located on the southwest corner of Kuykendahl Road and FM 2920; 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 March 2, 2005 would be removed from the Consent Agenda.

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 special meeting of January 12, 2005, the minutes of the regular meeting of April 17, 2005, and the certified agenda for the executive session of January 12, 2005; 2) approve and authorize execution of a letter to the Harris County Public Infrastructure Department regarding maintenance of the stormwater quality features of the detention ponds serving the detention ponds serving the Northcrest Village and Villages of Senterra Lakes subdivisions; 3) review bid tabulations and award construction contract for (a) Northcrest Village, Section 2 water, sewer and drainage facilities, (b) Springbrook, Section 6 water, sewer and drainage facilities and (c) Springbrook, Sections 6 and 7 clearing and grubbing; 4) approve the following pay estimates: (a) Pay Estimate No. 5 in the amount of \$2,872.80 to Triple B Services, LLP. ("Triple B") for construction of the Bella Sera detention pond; (b) Pay Estimate No. 7 in the amount of \$26,253.64 to B-5 Construction Co., Inc. for construction of the stormwater pump station and outfall improvements for Gosling Pines, Section 1; (c) Pay Estimate No. 2 in the amount of \$668,824.20 to Big State Excavation, Inc. for construction of water, sewer and drainage facilities to serve Northcrest Village, Section 1; (d) Pay Estimate No. 1 in the amount of \$15,435.00 to Maverick Contractors, Inc for construction of the Northcrest Village detention pond; (e) Pay Estimate No. 3 in the amount of \$44,774.71 to Bay Utilities, L.L.C. for construction of water, sewer and drainage facilities to serve Spring Terrace, Section 3; (f) Pay Estimate No. 2 and Final in the amount of \$6,929.85 to H2O Services, Inc. for construction of the eight (8) inch waterline extension to serve Spring Town Center, Phase III; and (g) Pay Estimate No. 1 in the amount of \$60,040.80 to Triple B for clearing and grubbing in Villages of Senterra Lakes, Section 1; and (5) Developer Reports.

REGULAR AGENDA

REVIEW OF AUDIT REPORT FOR THE FISCAL YEAR ENDING DECEMBER 31, 2004

Mr. McCall then reviewed the draft of the District's audit report for the fiscal year ended December 31, 2004, a copy of which is attached hereto. Mr. McCall then reviewed the audit report with the Board. Mr. McCall encouraged the Board members and consultants to contact him with any questions or comments on the draft of the audit report. Director Steffes asked Mr. McCall if he would be willing to schedule a special workshop meeting with the Board to discuss how to read and review an audit report and to review the District's audit report in more detail. Mr. McCall stated that he would be happy to schedule such a workshop session with 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 audit report for the fiscal year ended December 31, 2004 and to authorize the filing of the audit with the appropriate governmental agencies.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of April, a copy of which is attached hereto. Ms. Hall reported that 93.9% of the District's 2004 taxes have been collected as of today's date.

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 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 in Section III, items 2 and 3, the developer is not currently delinquent in the payment of rollback taxes due to the fact that the Harris County Appraisal District sent the rollback tax notice out late. Ms. Hall stated that she would contact the Delinquent Tax Attorney concerning such matter. No action on the Report was required.

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.

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.

CONSIDER REALLOCATION OF ESCROWED FUNDS FROM SERIES 2000 BONDS AND USE OF SURPLUS FUNDS FROM PRIOR BOND ISSUES FOR PROPOSED DISTRICT PROJECTS

Ms. Jarmon then presented for the Board's review a list of Inactive Projects and Escrowed Funds and a list of Authorized Capital Projects to be Funded or Reimbursed (the "Project List"), a copy of which is attached hereto. Ms. Jarmon noted that the District has approximately \$920,000 to \$925,000 that could be used for proposed and/or current projects of the District. A brief discussion ensued concerning the projects and developer reimbursement items to be considered for funding from the District's surplus and/or escrowed funds. Director Steffes asked if the Board needed to make a decision on this matter tonight. Ms. Bobbitt explained that the Board needs to make a decision regarding the use of the surplus/escrowed funds to avoid having arbitrage issues with the unused bond proceeds that are currently invested.

Ms. Bobbitt also stated that Federal tax laws require use of bond proceeds in a timely manner in order to avoid over-issuance problems.

Mr. Peterson then explained that the cost estimate for the proposed Ditches "A" and "B" improvement project had been reduced from \$450,000 to \$340,000 as a result of a recent meeting with Harris County Flood Control District (the "HCFCD") representatives. A lengthy discussion ensued about which projects would be funded with the surplus/escrowed funds. 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 adopt a Resolution Authorizing Application for Texas Commission on Environmental Quality ("TCEQ") Approval of Release of Escrowed Funds and Use of Surplus Funds, a copy of which is attached hereto, and to reallocate the escrowed funds from the Series 2000 Bonds and the surplus funds from prior bond issues for the following projects reflected on the Project List: item no. 1, Ditches "A" and "B" improvement project (\$340,000); item no. 3, waterline extension to Bridgestone Lane (\$156,923); item no. 4, 18-inch sanitary sewer trunkline to Northcrest Village (developer reimbursement item - \$250,179); and item no. 5, Springtown Center Phase III waterline (developer reimbursement item - \$98,716). The Board concurred that any remaining funds after payment for these four (4) projects should be allocated to the District's share of costs for the Lower Bonds Gully improvement project. Director Warren stated that he wanted to be sure that Director Marks concurred with the Board's action when he arrives at the meeting.

CONSIDER REQUEST FOR SERVICE TO 9 ACRE TRACT OF LAND

The Board then recognized Mr. Wray Strohmaier, representing North Centre Trust, the owner of approximately 9 acres of land located at 20635 Kuykendahl Road and FM 2920. Ms. Dold stated that Mr. Strohmaier had submitted an Application for Service and a check in the amount of \$3,000. Mr. Peterson explained that Jones & Carter had previously spotted construction activity on the tract and had told the developer that he must submit construction plans for the project to Jones & Carter for review and approval, but that no plans were ever submitted. Mr. Peterson went on to explain that there is a new project manager on the project and that the construction plans for the project have now been submitted to Jones & Carter for review.

Mr. Strohmaier then briefly reviewed the plans for the retail project. Mr. Peterson further reported that the subject property was included in the feasibility study when Mr. David Klein annexed multiple tracts into the District several years ago.

Director Marks then entered the meeting at 6:50 p.m.

The Board then discussed how the project contractor was able to obtain permits from Harris County (the "County"). Mr. Shackelford noted that the County does not have restrictions on or require district plan approval for commercial developments. Mr. Shackelford noted that he and Mr. Conner have been trying to get the County to change their procedures and notify a district when contractors apply for construction permits for projects located within a district.

Ms. Jarmon then briefly updated Director Marks on the Board's action concerning the reallocation of the escrowed funds from the Series 2000 Bonds and to use surplus funds from prior bond issues.

Mr. Strohmaier then exited the meeting at 6:58 p.m.

REQUEST FROM MR. DARREN RAINES FOR UTILITY SERVICE TO 16.4-ACRE TRACT

Mr. Peterson next reported that Mr. Raines, the developer of the Texas Mega Storage property located on FM 2920 near the District's Water Plant No. 2 has decided he wants to make the sanitary sewer lines in his development public lines and is requesting reimbursement from the District for such lines. Ms. Bobbitt reported that her office had received a request from Mr. Raines for an Application for Service, but has not received the completed form or an application fee from him. Further discussion then ensued concerning such matter. Upon motion by Director Schkade, seconded by Director Thomas, after full discussion and the question being put to the Board, the Board voted unanimously not to consider or approve Mr. Raines' request for service until such time that he attends a meeting of the Board to discuss the issues and problems the District has had with his development, including his failure to comply with the District's Policies and Procedures for Development. The Board asked Mr. Peterson to prepare a letter to Mr. Raines regarding the Board's action.

ADOPT RESOLUTION REQUESTING HARRIS COUNTY APPRAISAL DISTRICT ("HCAD") FOR AN ESTIMATED APPRAISAL OF PROPERTY

Ms. Bobbitt then presented a Resolution Requesting HCAD for an Estimated Appraisal of Property (the "Resolution"), as of May 1, 2005. Ms. Bobbitt explained in connection with the preparation of the bond application report (the "BAR") for the District's seventh bond issue, Jones & Carter needs a Certificate of Estimated Appraised Value for the District for inclusion in the BAR. 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 adopt the Resolution, a copy of which is attached hereto.

Director Marks then inquired when the Board authorized preparation of the District's ninth BAR. Mr. Shackelford noted that he recalls that the Board authorized Jones & Carter to begin work on the ninth BAR at the January 2005 Board meeting. Director Marks next asked if the engineer would provide the Board with a list of the items that have been funded from the proceeds of the District's prior bond issues. Mr. Peterson stated that he would provide such information to the Board.

DISCUSS IMPLEMENTING A DISTRICT POLICY FOR THE LATE PAYMENT OF INVOICES TO THE DISTRICT

At the April meeting, Director Thomas noted that an invoice from BMI-Biosolids Management, dating back to July 20, 2004, had been submitted for payment and commented that the Board should consider adopting a policy regarding the timely submittal of invoices to be paid by the District. A brief discussion regarding such matter ensued. Upon motion by Director Thomas, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve a policy that invoices to be paid by the District must be presented for payment within 90 days of the date services were rendered and any invoice that is older than 90 days must be submitted to the Board for payment consideration. The Board requested that Aqua Services notify the District's suppliers and sub-contractors of this policy.

DIRECTOR'S REPORT

Director Warren then reported that he had inspected the District's facilities on May 12, 2005 with Mr. Almaguer, but did not have a written report. Director Warren stated that the suspected leaks at Water Plant No. 1 and Water Plant No. 2 were spots caused by morning condensation. Concerning the area on the ground storage tank that needs painting at Water Plant No. 2, Mr. Peterson stated that the manufacturer had previously recommended that the area be patched, which was subsequently done, and that he is preparing a letter to the manufacturer of the tank regarding the Board's displeasure with the patch.

Director Warren next reviewed the condition of the District's lift stations. Director Warren commented that in the future, more space needs to be allowed for the entrances and access roads to the lift stations. Director Warren reported that address signage was needed at Lift Station No. 4. Mr. Peterson noted that the developer had been notified about a problem with erosion from the stormwater pump station at such facility. Mr. Hudson stated that the piping coming out of the stormwater pump station will be modified to reduce the amount of splashing and erosion.

Concerning the Rhodes Landing detention pond, Director Warren stated that he agreed with Director Marks concerning the need for some type of fence at the access areas to the detention pond to discourage people from entering the detention pond area. Director Schkade stated that he had asked a welder to submit a cost estimate for installation of pole gates for the access areas. Director Marks then stated that he recommended that a wooden privacy fence placed in line and parallel with the existing back fence line of the homes be installed on the access areas. Director Steffes suggested that the District's section of the privacy fence be mounted on poles to allow for easy removal and replacement in the event a maintenance vehicle must utilize the access areas. 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 the General Manager to proceed with the installation of a section of wooden privacy fence in alignment with the existing back fences of the homes located adjacent to the access areas for the Rhodes Landing detention pond. Mr. Conner noted that the installation of the fencing is only appropriate for the Rhodes Landing detention pond due to the fact that the District, not the County, will always own and maintain such detention pond facility.

Mr. Conner then noted that the homebuilder in Rhodes Landing had cleaned up and removed all of the debris from the access areas following the Board's April meeting.

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

Mr. Cornelius, Mr. Jones and Ms. Lazenby then exited the meeting at 7:40 p.m.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of April 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 92.2%, with a four (4) month average of 92.8%, and that there were eight (8) sludge hauls during the month. Ms. Sears added that

there are currently 3,662 connections in the District, including 2,688 residential accounts, 302 builder accounts and 537 vacancies. Ms. Sears then reviewed the termination list with the Board.

A discussion then ensued concerning the District's water accountability ratio and the factors that are impacting water accountability in the District. Mr. Almaguer reported that unmetered flushing of lines is done almost weekly in the District due to the large amount of ongoing construction and homebuilding activity in the District. Mr. Conner stated that there is a lightweight portable meter that could be purchased by the District for Aqua Services to attach to a fire hydrant when a line is being flushed. Mr. Conner estimated the cost of the meter to be approximately \$545 and recommended that two (2) such meters be purchased by the District. Mr. Almaguer noted that the portable meter would not work in new developments where the main lines are being tested, filled and flushed. Mr. Conner noted that Aqua Services would need to continue to estimate the amount of water being used when flushing lines in the new areas of development. Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board authorized Mr. Conner to purchase two (2) portable meters for Aqua Services to use when flushing District lines.

Sergeant Blankenship and Deputy Coleman then entered the meeting at 7:45 p.m.

Ms. Sears then reported that the Aqua Services' service technicians are now operating and processing paperwork for repair and maintenance items out of the Aqua Services' Champions office located on Stuebner-Airline Road.

Ms. Sears next reported that the District had recently received a Certificate of Superior Water System from the TCEQ. Ms. Sears noted that she will order "Superior Water System" signs to place at all of the entrances to the District. Mr. Conner stated that he will assist with the ordering and placement of the signs.

Upon motion by Director Marks, 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 in accordance with the provisions of the District's Rate Order.

APPROVAL OF 2004 CONSUMER CONFIDENCE REPORT

Ms. Sears then reported that she and Director Steffes had worked on the President's Message section of the District's proposed 2004 Consumer Confidence Report (the "2004 CCR"), a copy of which is attached hereto. 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 2004 CCR and authorize its distribution to the District's customers.

ENGINEER'S REPORT

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

Mr. Peterson first reported that he had received a request from Mr. Joe McDermott to update the 2001 feasibility study on his 10-acre tract of land, located within the District on the

east side of Kuykendahl Road and south of Spring-Cypress Road and that Jones & Carter will update such feasibility study.

Concerning the proposed improvements to Ditches "A" and "B", Mr. Peterson reported that he and Mr. Shackelford recently met with Mr. Joe Meyers and Mr. Webb Pederson of the HCFCD to review the proposed project. Mr. Peterson reported that the HCFCD has agreed to making Ditches "A" and "B" earthen channels rather than concrete channels which results in a significant decrease in the estimated project cost from \$451,000 to \$340,000. Mr. Peterson further reported that the HCFCD is willing to take over the ditches for maintenance immediately upon completion of construction of the improvements rather than waiting for the conclusion of the one (1) year maintenance period. Mr. Peterson further explained that the HCFCD is also willing to be responsible for having Champions Hydro-Lawn, Inc. establish the turf on the slopes of the ditches rather than the District being responsible for the turf establishment prior to acceptance by the HCFCD. Mr. Peterson noted that the District would still require the construction contractor for the project to be responsible of any construction warranty issues during the first year following completion of the project. Mr. Peterson added that the HCFCD will forward a proposed interlocal agreement for the Ditches "A" and "B" project to Ms. Bobbitt for review and subsequent approval by the Board. Mr. Peterson noted that the HCFCD also agreed to allow a variance on the 30-foot maintenance berm requirement and will approve a 25-foot maintenance berm. Director Thomas stated that the District will want to have the County's variance regarding the 25-foot maintenance berm and an agreement concerning the other items agreed to by the HCFCD regarding Ditches "A" and "B" in hand prior to expending the District's funds on the ditch improvement project.

Mr. Peterson then reported that Ditch "C" had recently been accepted by the County for operation and maintenance. A copy of the acceptance letter is attached to the Engineer's Report.

Mr. Peterson next reviewed the cost estimate for the proposed water plant painting and improvement items, a copy of which is attached hereto. The Board expressed concern that the proposed painting work and improvements are estimated at \$127,900. Mr. Conner explained that in order to get a one (1) year warranty from the contractor on the painting of the facilities, as previously requested by the Board, certain surface preparation work must be performed in accordance with specific criteria for such work. Mr. Conner reminded the Board that he had previously submitted a substantially lower cost estimate to the Board for the project that did not include the one (1) year warranty period on the painting work. Mr. Shackelford noted that Jones & Carter had based the cost estimate on actual numbers from similar projects they have recently handled for other district clients. Director Thomas then reviewed Mr. Conner's initial estimate of costs for the recoating/painting work and noted that it appears that several projects have been added to the list of improvements. After a lengthy discussion, the Board directed Mr. Conner to obtain additional cost estimates without the one (1) year warranty on the paint work. Ms. Shackelford noted that if the cost estimate for the proposed work is in excess of \$25,000, the project will need to be publicly bid. Director Warren questioned the public bidding requirement. Ms. Bobbitt responded that she would provide the Board with copies of the statutory provisions applicable to the District regarding construction projects, specifically, Sections 49.271 and 49.273, Texas Water Code, as amended. Director Marks inquired if the District could have Aqua Services perform the painting and improvement work. Ms. Bobbitt stated that Aqua Service could perform the work. Mr. Shackelford also added that the various improvements could be

divided into different projects to be done over a period of time. Directors Marks and Warren suggested that the matter be further discussed in a special workshop meeting with Mr. Conner.

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 Engineer's Report.

HARRIS COUNTY PRECINCT FOUR CONSTABLE'S REPORT

Mr. Conner then asked Sergeant Blankenship to review with the Board the Harris County Precinct 4 Constable's Report, a copy of which is attached hereto. Sergeant Blankenship reported that Harris County Precinct 4 is partnering with the National Rifle Association to offer a program for the prevention of crime and home burglaries entitled "Refuse to be a Victim" and asked if the Board was interested in scheduling the program for residents in the District. Sergeant Blankenship approximately three (3) to four (4) months lead time would be required in order to schedule, arrange for the funding and obtain the materials for the program. Sergeant Blankenship stated that the program would be for approximately four (4) hours and there would be a charge of \$5.00 per person for a workbook that is used with the program. Director Thomas offered to work with Sergeant Blankenship to schedule the program and stated that he would check the calendar for use of the Bridgestone Community Center in August.

Sergeant Blankenship and Corporal Coleman then exited the meeting at 8:50 p.m.

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 reported that he had spoken with Mr. Jose Gross, General Partner in the limited partnership of the Albertson's property owners group, and learned that all parties that are involved in a lawsuit concerning the Albertson's property are to go to mediation on or about June 1st regarding negotiation of a settlement concerning the repair and maintenance of the Albertson's detention pond.

Concerning the paving of the access road to the Sewage Treatment Plant ("STP"), Mr. Conner reported that he had obtained a proposal from Mr. Damon Smith of Damon's Asphalt Paving, Inc., ("Damon's"), in the amount of \$11,926.00 to extend the paving into the STP site from the point that the County stopped their paving project. Mr. Conner noted that the contractor will regrade the access road, add three (3) to four (4) loads of crushed limestone, roll and compact the base material, and top the road with two (2) inches of asphalt. Upon motion by Director Marks, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to accept the proposal from Damon's and authorize Mr. Conner to proceed with the paving project.

Mr. Conner next reported that Samco Leak Detection Services, Inc. ("Samco") had completed a leak detection survey in the Bridgestone, Bridgestone Ranch, Bridgestone West and Stone Forest subdivisions. Mr. Conner noted that the survey identified four (4) service line leaks, two (2) leaking fire hydrants, six (6) leaking angle stops on the customer's side of the meter, four (4) other leaks on the customer's side of the meter, and 10 obsolete meters that

needed to be replaced. Mr. Conner stated that the survey cost was \$7,800. Mr. Conner also reported that Aqua Services had completed repair of all the items with the exception of the two (2) leaking fire hydrants. Mr. Conner stated that the leaks may have been responsible for as much as a 2% difference in the District's water accountability ratio. Director Warren inquired whether the Board should have Samco perform a similar leak survey on an annual basis. Mr. Conner agreed that it would be a good idea to have a leak detection survey done on an annual basis or at such times that the District's water accountability ratio begins to reflect a potential problem.

Mr. Conner next reported that he had ordered the AMCO residential meters with ERT Ready registers along with water meter boxes that will accommodate two (2) of the AMR meters. Mr. Conner stated that the new meters and boxes will be installed at some point in the future in the new subdivisions to be developed in the District.

Mr. Conner then reported that the cost for 50 "No Trespassing" signs would be \$4,486.50. Mr. Conner suggested that action on the matter be deferred until he inspects the various entrances to the District determine the number of "Superior Water System" signs that will be needed.

Upon motion by Director Schkade, seconded by Director Mark, after full discussion and the question being put to the Board, the Board voted unanimously to approve the General Manager's Report.

Mr. Hudson then exited the meeting at 9:05 p.m.

ATTORNEY'S REPORT

Ms. Bobbitt then reported that the Water Supply and Wastewater Treatment Service Agreement (the "Agreement") between the District and Klein United Methodist Church ("KUMC") had been executed by KUMC and Ms. Bobbitt provided the Agreement to the Board for execution and submitted to Ms. Jarmon a check made payable to the District in the amount of \$27,000 for their purchase of water and wastewater capacity and a check in the amount of \$23,000 for the payment of the KUMC tap fee. A copy of the executed Agreement is attached hereto. Ms. Bobbitt also noted that the water line and sanitary sewer line easements from KUMC had been executed and once executed by the District, will be recorded in the Real Property Records of Harris County.

GRAND PARKWAY UPDATE

Director Thomas then reported on a meeting concerning the Grand Parkway to be held on May 25, 2005, at Klein Collins High School.

MISCELLANEOUS MATTERS

Ms. Bobbitt then noted that the next regular meeting of the Board would be held on Tuesday, June 21, 2005, at 6:00 p.m. at the Bridgestone Community Center. Ms. Bobbitt and Mr. Conner stated that they would work to schedule a special meeting of the Board, as discussed earlier in the meeting.

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

PASSED, APPROVED AND ADOPTED this 21st day of June, 2005.

/s/Ronald W. Schkade

Secretary, Board of Directors

(DISTRICT SEAL)

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