

the garbage collection truck trying to pick up garbage caused flood waters to be pushed up into some of the houses, which angered the residents. Mr. Haneline noted that several residents chased after the garbage truck and blocked the truck from leaving the street. Mr. Haneline proceeded to report that there has been a flooding problem on Pineville Lane and two (2) other streets in the area for over 25 years, and that something needed to be done to resolve the problem. Mr. Haneline stated that he has tried to get Harris County (the "County") to deal with the situation, but can never seem to get to the correct individuals at the County or get any kind of satisfactory response, and asked if there is something the District can do to assist with the problem. Director Warren stated that he was aware of past problems with flooding on Dawn Creek, but that there have been flooding problems on Pineville Lane. Director Steffes stated that the Board has made improvements to the east side of Bonds Gully over the past few years, which has helped the flow of stormwater in the area. Director Steffes also noted that the District will soon be making further improvements to Upper and Lower Bonds Gully in cooperation with several developers in the area.

Mr. Shackelford suggested that Mr. Haneline contact the Community Assistance office at Harris County Precinct 4 for assistance with the flooding problem. Messrs. Shackelford and Conner then provided Mr. Haneline with their contact information.

Mr. Haneline then exited the meeting at 6:20 p.m.

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. Ms. Bobbitt noted that the minutes of the special meetings of April 11, 2006 and May 2, 2006 had been removed from the Consent Agenda.

Upon motion by Director Schkade, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approve the minutes of the regular meeting of May 16, 2006, as written; 2) authorize design of the following projects: a) Upper Seals Gully drainage improvements from Gosling Road outfall channel to FM 2920; and b) Upper Seals Gully drainage improvements from FM 2920 to Kuykendahl Road; 3) authorize advertising for bids, subject to Engineer's receipt, review and approval of projects plans and specifications for a) Spring Terrace, Section 6 water, sewer and drainage facilities; b) Gosling Pines, Section 2 water, sewer and drainage facilities; c) Auto Zone water line extension; and d) Children's Courtyard off-site water, sewer and drainage extensions; 4) review bid tabulations and award contract for Bridgestone Lakes, Section 3 water, sewer and drainage facilities; 5) approve the following pay estimates and change orders: a) Change Order No. 5 in the amount of \$52,296.96 in connection with completion of the project and Pay Estimate No. 7 and Final in the amount of \$0 to SLC Construction, LP for construction of the Gosling Pines, Section 1 water, sewer and drainage facilities; b) Change Order No. 1 in the amount of \$1,163.75 to Peltier Brothers Construction, Ltd. for construction of Lift Station No. 7; c) Pay Estimate No. 2 in the amount of \$28,834.23 to B & D Construction Company, Inc. for construction of water, sewer and drainage

facilities to serve Northcrest Village, Section 2; d) Pay Estimate No. 2 and Final in the amount of \$23,265.48 to McKinney Construction, Inc. for construction of the water line extension along Spring Cypress Road for the Villages of Senterra Lakes development; and e) Change Order No. 4 in the amount of \$35,400.00 to Kenneth Lamb Construction Co., Ltd. for construction of a storm sewer line to cross the North Harris County Regional Water Authority (the "NHCRWA") water line in Villages of Senterra Lakes, Section 1; and e) authorize execution of any necessary easements to provide service to various District developments.

REGULAR AGENDA

APPOINT SECRETARY AND ASSISTANT SECRETARY OF TE BOARD

Director Schkade stated that he would prefer to be Assistant Secretary rather than Secretary, because he is working out of town and may not be able to attend all of the Board meetings. 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 appoint Director Theiss as Secretary and Director Schkade as Assistant Secretary of the Board.

APPROVE AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT (the "HGSD")

Ms. Bobbitt then presented the Interlocal Agreement between the HGSD and the District for the District's sponsorship of the WaterWise Program at Roth Elementary School and Northwoods Catholic School for the Board's approval. 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 and authorize execution of the Interlocal Agreement, a copy of which is attached hereto.

REVIEW FEASIBILITY STUDY FOR ANNEXATION OF AND SERVICE TO 2.5-ACRE TRACT OF LAND

Mr. Peterson then distributed copies of the feasibility study regarding the request for service/annexation from Mr. Roger Richardson to a 2.5-acre commercial tract of land (the "Richardson Tract"), located on FM 2920 west of Kuykendahl Road and southeast of T. C. Jester Boulevard, a copy of which is attached hereto. Mr. Peterson noted that the Richardson Tract includes two (2) office buildings that house Scott's Lawn and Chemical, Golden Mushroom Decorating Den, Herff Jones, Genesis Land & Mineral Resources and Allstate Insurance. Mr. Peterson noted that the utility lines would be private and there would be no facilities that are reimbursable to the owner. Mr. Peterson stated that the property has a water capacity requirement of 7,500 gallons per day ("gpd") average daily flow, and stated that there is an existing 12-inch water line along the northern right-of-way ("ROW") of FM 2920 and the western ROW of T. C. Jester that could be extended to serve the property. Mr. Peterson added that the owner would be responsible for the cost to extend the 12-inch water line to the Richardson Tract. Mr. Peterson cautioned that due to the District's existing utility commitments, the District will need additional water supply facilities in order to provide capacity to the Richardson Tract.

Concerning sanitary sewer service for the Richardson Tract, Mr. Peterson stated that the estimated capacity requirement for the property is 6,250 gpd and noted that there is adequate sanitary sewer capacity to serve the Richardson Tract. Mr. Peterson went on to explain that there is an existing 12-inch sanitary sewer line along the northern ROW of FM 2920, serving Bella Sera, and an 8-inch sanitary sewer line along the eastern ROW of T. C. Jester, serving Springbrook, and that both lines could provide service to the property. Mr. Peterson added that the Richardson Tract will need to tie-in to the 8-inch sanitary sewer line along T. C. Jester.

Mr. Peterson went on to report that since the Richardson Tract is considered to be a private development, it is the owner's responsibility to determine the drainage outfall and any detention requirements needed for the development of the property. Mr. Peterson further reported that the addition of the Richardson Tract would add an estimated \$1.5 million in assessed value to the District's tax roll and noted that the feasibility study concludes that annexation of the Richardson Tract is feasible.

Ms. Bobbitt noted that the District will need to enter into an Annexation and Service Agreement with Mr. Richardson.

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 service/annexation request and to authorize Jones & Carter and Ms. Bobbitt to proceed with the annexation of the Richardson Tract.

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of May, a copy of which is attached hereto. Ms. Hall reported that 94.1% of the District's 2005 taxes have been collected as of today's date. Ms. Hall further reported that the District's delinquent tax statements notifying the property owners of their delinquent accounts and the additional 20% penalty that becomes effective on July 1st had been mailed to the delinquent property owners. Ms. Hall added that she has received the District's preliminary tax valuation for 2006 from the Harris County Appraisal District in the amount of \$537.5 million, an increase of approximately \$194 million over last year's valuation.

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 the properties listed as item nos. 1 and 2 in Section I of the Report are set to be sold for taxes on August 1, 2006, and that item nos. 3 and 4 have been paid in full.

The Board then asked Ms. Hall to contact the District's Delinquent Tax Attorney, Perdue, Brandon, Fielder, Collins & Mott, L.L.P., and ask for additional information on what is happening regarding the Salazar/Sambrano delinquent account.

Ms. Hall then noted that Mr. Mayfield of 21006 White Shore Lane has requested a six (6) month payment plan to pay his delinquent 2004 and 2005 taxes. The Board concurred that the six (6) month payment plan would be acceptable, but that the 2004 and 2005 delinquent taxes must be paid in full by December 31, 2006.

Upon motion by Director Warren, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to approve the six (6) month payment plan requested by Mr. Mayfield, effective July 1, 2006, and to approve the Delinquent Tax Attorney'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 first noted that the Harris County Precinct 4 Constable's Report was distributed prior to the Board meeting via email. A copy of such report is attached hereto.

Mr. Conner then reported that the trial regarding the Albertson's property had again been postponed at the end of May and has not yet been rescheduled.

Mr. Conner next reported that he has requested information from MHI Partnership, Ltd., Centex Homes and Mr. Perry Senn to determine the pro rata cost share calculations for the Spring Terrace/Bella Sera detention ponds, and that Ms. Bobbitt's office has drafted a proposed Detention Pond Maintenance Agreement and conveyance document for such facilities.

Mr. Conner next reported that he had driven through the District during the heavy rains this past weekend and reported that the stormwater was flowing well through the District. Mr. Conner noted that the Spring Terrace detention pond had to be hand pumped during the recent rains and that the Kroger's detention pond was in good shape.

Mr. Conner then commented that he does not recall hearing anything about flooding problems on Pineville Lane, as reported earlier by Mr. Haneline.

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

DIRECTOR'S REPORT

Director Steffes then reported that Mr. Almaguer was called out of town due to an illness in his family and was not able to go on the inspection of the District's facilities with him. Director Steffes reported that the drainage ditches were performing well during the recent heavy rains, but noted that he had observed a great deal of trash in the various drainage ditches. Mr. Steffes next reported that the NHCRWA has hydro-mulched their construction area within the District. Director Steffes also reported that there was five (5) to six (6) inches of silt in the streets on Rose Rock and Aberton and asked Jones & Carter to determine who should be responsible for cleaning up the streets.

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

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

Ms. Dold reminded Director Theiss that she is scheduled to do the inspection of the District's facilities for the months of July and August. Director Marks asked Ms. Dold to mail him a copy of the inspection calendar.

Pat Hall then exited the meeting at 6:52 p.m.

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, feasibility studies and/or easement acquisitions.

Ms. Jarmon went on to report that the District had previously applied to the Texas Commission on Environmental Quality (the "TCEQ") earlier this year for approval for the release of escrowed funds, the use of surplus funds and a change of project scope on projects approved in connection with the Series 2000 bond issue, and that McCall, Gibson & Company, PLLC, the District's auditor, was asked to prepare an Agreed-Upon Procedures Report (the "Procedures Report") for the developer reimbursement items. Ms. Jarmon noted that the Procedures Report has now been completed, a copy of which is attached hereto. Ms. Jarmon stated that three (3) checks had been drawn on the District's Capital Projects Fund for the developer interest reimbursements, including: 1) check no. 1344 payable to AKS 57 NEC Kuykendahl in the amount of \$100,200.92; 2) check no. 1345 payable to AKS 35 2920 Southwest LP in the amount of \$61,510.73; and 3) check no. 1346 payable to Northcrest 2920 LP in the amount of \$180,798.64.

Ms. Jarmon went on to report that the District received \$89,610 in tap fee revenue last month. Ms. Jarmon added that checks nos. 9174 through 9180 on the Operating Account are refunds owed to developers for deposits previously provided to the District for feasibility studies and annexation expenses.

Upon motion by Director Warren, seconded by Director Marks, 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.

OPERATOR'S REPORT

Ms. Sears next reviewed the Operator's Report for the month of May with the Board, including the termination list, copies of which are attached hereto. Ms. Sears reported that the District's four (4) month water accountability ratio was 90.6%, and that there were 11 sludge

hauls during the prior month. Ms. Sears added that there are currently 3,951 connections in the District.

Ms. Sears then reported receipt of a TCEQ Unauthorized Discharge of Wastewater Noncompliance Notification at 4611 Whispering Rock, a copy of which is attached to the Operator's Report. Ms. Sears stated that Aqua Services will provide an appropriate response to such Notification.

Ms. Sears noted that she will include the Aqua Services letter on hurricane preparedness in the next customer billing cycle, and that a copy of such information will be posted on the District's website.

Director Marks then questioned an Electrical Mechanical Service, Inc. invoice concerning rewiring of the Programmable Logic Control at Water Plant No. 2. Ms. Sears said that she would need to check with Mr. Almaguer on such matter and would email a response to the Board.

Upon motion by Director Warren, seconded by Director Theiss, 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.

UPDATE ON STATUS OF DISTRICT WEBSITE IMPROVEMENTS

Ms. Bobbitt then stated that Ms. Barbara Payne of Payne Communications has reported that the improvements to the District's website are near completion and reminded the Board that Director Steffes had asked that the Board be allowed to preview the updates and improvements prior to the website going online. Ms. Bobbitt stated that Ms. Payne had requested that the Board designate a liaison to work with Ms. Payne on the website improvements. 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 appoint Director Theiss as the Board liaison to work with Ms. Payne on the website improvements.

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.

Mr. Peterson first reported that a copy of the District's Master Plan timeline is now displayed in Mr. Conner's office at the Sewage Treatment Plant, and that a copy of such timeline had been provided to Ms. Bobbitt's office for inclusion in the District's files.

Director Marks then expressed his concern over the operation of the Rhodes Landing detention pond. Director Marks stated that the detention pond does not appear to be retaining much water during periods of heavy rain. Mr. Peterson explained that new valves were installed in connection with such facility approximately one (1) year ago, and that the stormwater is pumped out of the detention pond rather than allowed to discharge naturally. Mr. Peterson further explained that the detention pond is designed not to hold water unless the level exceeds a

three (3) to five (5) year rainfall event. Director Marks then stated that he wants to be very sure that there is nothing wrong with the operation of the Rhodes Landing detention pond that could come back on the District. Mr. Shackelford and Mr. Peterson assured Director Marks that the Rhodes Landing detention pond is operating as it was designed to do.

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

ATTORNEY'S REPORT

Ms. Bobbitt then reported that she and Mr. Kasner are ready to finalize the Spring Terrace Detention Maintenance Agreement and General Warranty Deed and presented such items for the Board's execution. Ms. Bobbitt noted that unless the developers decide otherwise, the Spring Terrace Homeowners Association and the Bella Sera Homeowners Association will be billed on a monthly basis for their share of the detention pond maintenance costs.

Concerning the acquisition of the various easements for the Upper/Lower Bonds Gully drainage improvement project, Ms. Bobbitt reported that several easements have been acquired from Klein Independent School District and Scully Properties, and that payments for such easements were included in the checks being presented for payment at tonight's meeting.

Ms. Bobbitt then stated that Ms. Diane Allen of JRPB is working with Jones & Carter to acquire an additional easement from Mr. Friedel Grundmeyer in exchange for a previously acquirement easement that is no longer needed.

Concerning the proposed Interlocal Agreement with the Harris County Flood Control District (the "HCFCD") for joint use of the hike and bike trail, Ms. Bobbitt reported that her office is waiting for a final exhibit from Jones & Carter in order to finalize the Interlocal Agreement and forward it to the HCFCD for final approval and execution. Director Steffes asked if the HCFCD Interlocal Agreement had been reviewed. Ms. Bobbitt responded that Mr. Kasner has reviewed the Interlocal Agreement and negotiated with the HCFCD several changes to better represent the District's interests, and that copies have been sent to Mr. Conner and Mr. Shackelford for review.

Ms. Bobbitt then presented execution copies of the Interlocal Agreement Regarding Extension of T. C. Jester Boulevard for execution by the Board; a copy of which is attached hereto.

ADOPT RESOLUTION AUTHORIZING ACQUISITION OF SANITARY SEWER EASEMENT AND PROCEEDINGS IN EMINENT DOMAIN

Ms. Bobbitt then presented a Resolution Authorizing Acquisition of a Sanitary Sewer Easement and Proceedings in Eminent Domain (the "Resolution") regarding a sanitary sewer line easement that Ms. Allen has attempted to acquire from Mr. Minesh Patel and located at the northwest corner of Rhodes Road and FM 2920. A copy of the Resolution is attached hereto. 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 adopt the Resolution. Director

Theiss stated that her husband knows Mr. Patel and offered to go meet with Mr. Patel concerning the easement. Mr. Conner stated that he would arrange for he and Director Theiss to meet with Mr. Patel.

AMENDMENT AND JOINDER TO LETTER OF UNDERSTANDING

Ms. Bobbitt next reported that Mr. Howard Cohen, attorney for Parkside, has submitted a draft of an Amendment and Joinder to Letter of Understanding ("Amendment and Joinder") regarding the shared costs for the proposed improvements to Upper/Lower Bonds Gully. Ms. Bobbitt explained that Parkside has asked to participate with the District, Sowell Interests-Meadowhill, L.P. and Bridgestone Lakes Development Company, Inc. in the proposed Upper/Lower Bonds Gully project. Ms. Bobbitt asked the Board to authorize execution of the Amendment and Joinder. 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 authorize the President and Secretary to execute the Amendment and Joinder, subject to Ms. Bobbitt's review of such document.

MISCELLANEOUS MATTERS

Mr. Conner stated that he will schedule a special workshop meeting of the Board for Tuesday, July 11, 2006, at 7:00 p.m. at the Bridgestone Community Center to review and discuss bond issue scheduling matters with Mr. Carlin Short, the District's financial advisor.

Mr. Conner then noted that public hearings are scheduled on July 11th and July 12th at Klein Collins High School, 20811 Ella Boulevard, to review the revised alignment of Segment F-2 of the proposed Grand Parkway. A copy of the Notice of the public hearing is attached hereto. Director Warren commented that he is against the revised Grand Parkway Draft Environmental Impact Statement ("DEIS") that is going to be presented at the public hearing. Director Warren noted that the DEIS does not include information about current development located along the proposed Segment F-2 alignment. Mr. Glunt noted that he has read the revised DEIS in its entirety and agreed that there are huge omissions of information regarding the development activity that has occurred in the area between 2003 and 2006. Mr. Glunt also noted that the deadline for submitting written comments regarding the DEIS is August 26, 2006.

Ms. Bobbitt then noted that the next regular meeting of the Board will be held on Tuesday, July 18, 2006, at 6:00 p.m. at the Bridgestone Community Center.

Mr. Conner then announced that Mr. Almaguer's father had passed away earlier today and suggested that the Board make a memorial gift to the family.

Lieutenant Blankenship then entered the meeting at 7:50 p.m.

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 August, 2006.

/s/Linda D. Theiss

Secretary, Board of Directors

(DISTRICT SEAL)

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