

MINUTES OF MEETING  
OF  
BOARD OF DIRECTORS  
May 19, 2009

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 Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, May 19, 2009, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Adrian E. Steffes	President
Jim Marks	Vice President
Linda D. Theiss	Secretary
Ronald W. Schkade	Assistant Secretary
Skip Warren	Treasurer

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Mr. Gene Conner, General Manager for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc. ("MCI"), bookkeeper for the District; Messrs. Ed Shackelford, P.E., Erich Peterson, P.E. and Joshua Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. L. Carlin Short, II, financial advisor for the District; Mr. David Rowe of Water District Management ("WDM"), operators for the District; Ms. Claudine Pacioni, Mr. Jim Ferguson and Mr. Tracy Butcher of SouthWest Water Company ("SWWC"), former operators for the District; Mr. David Aguilar of Republic Services, Inc. ("Republic"), garbage collector for the District; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Gosling Pines, Senterra Lakes, LP and Villages of Senterra Lakes subdivisions within the District; Mr. John Cannon of Coats Rose, Yale, Ryman & Lee, P.C., attorney for Mr. Hudson; Mr. David Klein of Klein Equities, investor in Bridgestone Lakes subdivision; Mr. Tim Early of K. Hovnanian Homes, investor in Bridgestone Lakes and Gosling Pines subdivisions; Mr. Perry Senn of Peron Development, Inc., developer of Villages of Bridgestone, Bella Sera and Northcrest Village subdivisions; Mr. John White of D. R. Horton - Texas Ltd. ("D. R. Horton"), developer of Bella Sera subdivision; Lieutenant Ron Glaze of the Harris County Precinct 4 Constable's Office; Messrs. Jimmie D. Williams, Chuck Price and Dwight LeBlanc and Ms. Linda Wilkinson of the Bridgestone Lakes Homeowners Association (the "Bridgestone Lakes HOA"); Ms. Nancy J. Woollard, a resident of Bridgestone Lakes subdivision; Mr. Jeff Haneline, a resident of 4302 Pineville Lane; Ms. Beth Carter, a resident of Bella Sera subdivision; and Ms. Robin S. Bobbitt, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), 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.

### PUBLIC COMMENT

The Board first recognized Ms. Woollard, who stated that she was attending the meeting to voice several complaints regarding the operation of the District's Sewage Treatment Plant (the "STP"). Ms. Woollard asked who operates the STP for the District. Director Steffes explained that SWWC had been operating the District's water and sanitary systems, but that the District had hired WDM last week to serve as the District's operation service company. Ms. Woollard stated that she had called SWWC several times regarding the odor from the STP, but grew tired of the lack of response and treatment she had received. Director Steffes then stated that there had been several emergency repairs to the bearings on four (4) of the five (5) blowers at the STP within the last few weeks, which would account for the odor problem. Ms. Woollard reported that she and several neighbors grew weary of calling SWWC, had contacted the Harris County Public Health and Environmental Services Department (the "HCPHESD") regarding the odor issues, and that the facility was visited by a HCPHESD representative on May 12, 2009. Ms. Woollard stated that the HCPHESD found the blowers were not operating. Again, Ms. Woollard asked who was responsible for the operating company. Director Steffes responded that WDM is now the operator, and that the Board took action to repair the blowers as soon as the Board was aware of the problems. Ms. Woollard noted that SWWC should have had a prepared statement for persons calling in about the odor problem and been more responsive to the residents' complaints.

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

Mr. Conner then explained that prior to the problems with the blowers, the STP had experienced compliance problems as a result of vandalism, including the introduction of toxic waste into the STP system which, among other things, caused bacterial breakdown and poor aeration in the sanitary sewer system resulting in noxious odors. Mr. Conner noted that now that the blowers have been repaired, the odor problem has improved significantly. Mr. Conner further explained that the STP expansion project that is currently underway should be completed by the end of December 2009 or beginning of January 2010. Mr. Conner noted that the Board will review and consider options that may be available regarding the operation of the existing STP equipment until the new equipment is online at its special meeting scheduled for May 26, 2009.

The Board then recognized Mr. Williams who, on behalf of the Bridgestone Lakes HOA, expressed appreciation to the Board and its consultants for their efforts to prevent flooding from the Bridgestone Lakes Detention Pond Nos. 2 and 4 during the heavy rains in the area on April 27<sup>th</sup> and April 28<sup>th</sup>. Mr. Williams explained that the high water in the detention ponds had also dislodged the railroad ties along the walkway and bulkhead of the detention ponds. Mr. William stated that the Bridgestone Lakes HOA does not have funds budgeted to put the railroad ties back in place, and requested assistance from the District to get such work done. Mr. Hudson then stated that it is becoming clear that the original contractor had installed the railroad ties incorrectly, and may be responsible for some other problems associated with the detention pond. Mr. Hudson added that fortunately, he is still holding retainage on the project

that can be applied for the needed repairs. Mr. Williams then asked if the Bridgestone Lakes HOA will be required to pay for the water to refill the detention ponds. Mr. Hudson responded that he would be responsible for the repairs to and refilling of the detention ponds.

Messrs. Williams, Price and LeBlanc, Ms. Wilkinson and Ms. Woollard then thanked the Board and exited the meeting at 6:35 p.m.

#### HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze reported that the Constables had arrested three (3) people, who were most likely responsible for spray painting at the District's plant sites, and are working on arrests for several vehicle burglaries that had been committed in the District. A copy of the Constable's Report for the month of April is attached hereto.

Mr. Shackelford then entered the meeting at 6:40 p.m.

#### 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.

Mr. Peterson noted that he would present the bid tabulations for construction of Water Plant Nos. 1, 2, 3, & 4 and Elevated Storage Tank (the "EST") chloramine conversions, along with the Engineer's Report, later in the meeting.

Ms. Bobbitt stated that the executive session minutes of March 17, 2009 and April 21, 2009 are not being presented for approval at tonight's meeting.

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 following Consent Agenda items: 1) approve the minutes of the regular meeting of April 21, 2009, as written, and the minutes of the special meetings of April 7, 2009, April 14, 2009 and April 28, 2009, as written; 2) award contract for the construction of the FM 2920 waterline adjustment to M. Marlon Ivy & Associates, Inc. in the amount of \$37,063.73; 3) approve the following pay estimates: a) Pay Estimate No. 3 in the amount of \$224,662.50 from CB&I, Inc. in connection with the construction of the EST; b) Pay Estimate No. 4 and Final in the amount of \$35,316.53 from Gonzalez Construction Enterprise, Inc. in connection with the construction of the Gosling Road waterline and sanitary sewer extensions; c) Pay Estimate No. 4 in the amount of \$295,674.48 from LEM Construction, Inc. in connection with the construction of the Sewage Treatment Plant (the "STP") expansion project; and d) Pay Estimate No. 2 in the amount of \$26,287.03 from Pipeline Video Inspection & Cleaning in connection with the 2008 Sanitary Sewer Cleaning, Televising and Reporting project; 4) authorize approval and execution of Acknowledgment of Subordinated Assignment of Rights by Gosling Road Development Company, Inc. to K. Hovnanian of Houston II, L.L.C.; 5) ratify execution of Assignment of Rights under Agreement for Financing Facilities with KSS Partners; 6) authorize attendance of Directors at Association of Water Board Directors – Texas Annual Conference in Corpus Christi,

Texas from June 18<sup>th</sup>-20<sup>th</sup>; and 7) approve and authorize execution of contract with SAMCO Leak Detection Services, Inc.

## REGULAR AGENDA

### TAX ASSESSOR/COLLECTOR'S REPORT

The Board next 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 noted that 94.7% of the District's 2008 taxes have been collected to date. Ms. Hall next reported that the certified assessed valuation for 2008 had been revised and is now at \$773,200,000. Ms. Hall stated that the preliminary values for 2009 will be available soon.

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 Tax Assessor/Collector's Report and authorize payment of the checks reflected therein.

### DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Hall noted that 30 lots and two (2) homes owned by Supreme Builders, Ltd. are to be posted for foreclosure sale.

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 Delinquent Tax Attorney's Report.

Ms. Pacioni then entered the meeting at 6:47 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 stated that no changes had been made to the Bookkeeper's Report since it was emailed to the Board and consultants several days prior to the meeting.

Director Theiss then stated that she did not receive Ms. Jarmon's meeting packet on Monday.

Mr. Ferguson then entered the meeting at 6:50 p.m.

Ms. Jarmon next reported that earlier today, she had received a check in the amount of \$40,720.83 from the City of Houston for the District's share of the February Strategic Partnership Agreement (the "SPA") sales tax revenue. A copy of the SPA report is attached hereto.

Mr. Haneline then entered the meeting at 6:55 p.m.

Concerning developer reimbursements from the proceeds of the District's Series 2009-A Bonds, Ms. Bobbitt reminded the Board that at the April 21<sup>st</sup> meeting, Mr. Nick Ozuna, on behalf of MHI Partners, Ltd. and Centex Homes, had asked that their reimbursements be deferred until such time that they could ask questions about the reimbursement calculations. Ms. Bobbitt stated that she has scheduled a meeting with Mr. Ozuna and Mr. Nick Luton, together with the District's consultants, on May 21, 2009 to review and discuss their questions and concerns. Ms. Bobbitt went on to remind the Board that D. R. Horton is still owed \$194,009.12, plus developer interest, for its share of the cost of land acquisition for the Spring Terrace detention pond, as well as construction and engineering costs related to the following projects: Spring Terrace Lift Station; pipeline relocation in Spring Terrace, Section 1; Spring Terrace Stormwater Pump Station; and Spring Terrace Detention Pond. Ms. Bobbitt stated that the supplemental audit report for such reimbursement will be ready in time for the Board's review at the special meeting scheduled for May 26, 2009.

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

#### REVIEW AND APPROVAL OF AMENDED AGREEMENT FOR BOOKKEEPING SERVICES

Ms. Jarmon then presented an Amended Agreement for Bookkeeping Services between the District and MCI for the Board's review and approval, a copy of which is attached hereto. 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 Amended Agreement for Bookkeeping Services and authorize execution of same.

Mr. White then exited the meeting at 7:02 p.m.

#### GENERAL MANAGER'S REPORT

Mr. Conner next reviewed with the Board the General Manager's Report previously distributed to the Board, a copy of which is attached hereto. Mr. Conner noted that the options that may be available for operating the STP until the expansion is completed will be reviewed at the Board's May 26<sup>th</sup> special meeting.

Ms. Carter then entered the meeting at 7:05 p.m.

Mr. Conner next reported that Beyer Construction, LLP should be finished pumping down the Bridgestone Lakes Detention Pond No. 2 by tomorrow. Mr. Conner further noted that the connector pipe for the Bridgestone Lakes detention pond is shorter than what the construction plans specified. Mr. Conner added that Harris County has now accepted the streets in Bridgestone Lakes, Section 2 for maintenance.

Concerning the rehabilitation of the south bank of the Spring Terrace outfall channel, Mr. Conner reported that such project is almost completed.

Director Theiss then inquired if Mr. Conner had reviewed the maintenance logs on the STP blowers to determine if there is a reason for the blower failures. Mr. Conner responded that he will be reviewing the maintenance logs to determine if there were any maintenance issues with the blowers.

Upon motion by Director Theiss, 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.

Ms. Hall then exited the meeting and Mr. Staab entered the meeting at 7:07 p.m.

#### DIRECTOR'S INSPECTION REPORT

Director Warren then reported that he had inspected the District's facilities with Mr. Staab for the month of May. Director Warren noted that the signage at each of the sites needs to be changed to reflect WDM's contact information. Director Warren further reported that Lift Station No. 1 still emits a bad odor, that Lift Station No. 4 needs mowing and edging, that Lift Station No. 6 needs the fire hydrant painted, and that Lift Station No. 7 needs a better access road.

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

#### OPERATOR'S REPORT

Ms. Pacioni next presented the Operator's Report for the month of April to the Board, including the termination list, previously distributed to the Board, copies of which are attached hereto. Ms. Pacioni reported that the District's four (4) month water accountability ratio was 92.2%, the monthly accountability ratio was 90.9%, there were 26 sludge hauls during the prior month, and there are currently 5,163 connections in the District.

Ms. Pacioni noted that during the transition from SWWC to WDM, SWWC will continue to collect lock box payments and payments brought in to the SWWC office and send such payments to WDM.

Mr. Rowe then reported that Mr. Damon Cooper, a resident within the District, came to the WDM office to request that he be allowed to pay \$235 of his \$466.98 delinquent water/sewer service bill on Friday, May 22, 2009, with the balance to be paid on Friday, May 29, 2009. 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 approve Mr. Cooper's request for a payment plan, as outlined above.

Mr. Rowe then distributed a WDM contact list to the Board and consultants, a copy of which is attached hereto.

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 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 and as discussed earlier in the meeting.

Messrs. Ferguson and Butcher then exited the meeting.

### ENGINEER'S REPORT

Mr. Peterson next reviewed the Engineer's Report, a copy of which is attached hereto. Mr. Peterson stated that there are no changes to the Engineer's Report that was previously distributed to the Board prior to the meeting, other than the addition of the bid tabulations for the Water Plant Nos. 1, 2, 3 & 4 and EST chloramine conversions. Mr. Peterson reported that five (5) bids were received for the project, and explained that the bid from Nunn Constructors, Ltd. ("Nunn") in the amount of \$367,625 is approximately \$100,000 less than estimate by Jones & Carter. Mr. Peterson further noted that the project will be funded with funds from District's Operating Fund. Mr. Peterson and Ms. Jarmon next discussed the need to review the District's surplus funds and uses for same and need to amend the District's budget for the fiscal year ending December 31, 2009. Mr. Conner recommended that the Board review and discuss such items at a special meeting on June 2, 2009.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board voted unanimously to award the construction contract for the Water Plant Nos. 1, 2, 3 & 4 and EST chloramine conversions to Nunn, based on their low bid of \$376,625.

Mr. Peterson next offered to schedule a tour of the EST construction site for the Board. The Board concurred that a Friday or Saturday would be a good time for such tour.

The Board then asked Mr. Conner to coordinate with WDM for the replacement of the locks on the gates at all of the District's facilities.

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 Engineer's Report.

### ATTORNEY'S REPORT

Concerning activity in the 81<sup>st</sup> Legislative Session, Ms Bobbitt reported that things were moving fast and furious as the session nears an end on June 1<sup>st</sup>. Ms. Bobbitt further noted that Johnson Radcliffe will prepare a summary of the 81<sup>st</sup> Legislative Session for distribution to the firm's clients.

Director Warren then inquired if the Board had prepared a response to Representative Debbie Riddle's letter regarding Gosling Oaks Apartments, the proposed affordable housing project to be located within the District on Mr. Howard Lederer's property. Ms. Bobbitt stated that Mr. Polley had prepared a letter to Senator Dan Patrick, with a copy to Ms. Riddle, voicing the Board's strong opposition to the affordable housing project. Ms. Bobbitt further reported that Mr. Lederer had called her office last week to apologize for the manner in which the matter was handled. Ms. Bobbitt added that Mr. Lederer had stated that the plans for the affordable housing project should have been brought to the Board and consultants by Kilday Realty Corporation, the developer of the proposed project, prior to the application being submitted to the Texas Department of Housing and Community Affairs (the "TDHCA") for tax credits from the TDHCA's Competitive Housing Tax-Credit program. Ms. Bobbitt noted that the TDHCA's funding year is now closed and the project appears to be on hold.

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 Attorney's Report.

#### MISCELLANEOUS MATTERS

Ms. Jarmon then noted that she has voided check no. 11672 to SWWC in the amount of \$44,851.77 and issued check no. 11738 in the amount of \$7,100.00, pending Mr. Conner's review and approval of the final invoice from SWWC, at which time any additional amounts owed to SWWC will be paid.

#### PUBLIC COMMENT

Mr. Haneline then complained that his garbage container was destroyed by Republic. Mr. Aguilar asked Mr. Haneline to contact him about a replacement container.

#### EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 7:42 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1)(A) and (2), Texas Government Code, as amended, to consult with the District's attorney regarding pending or contemplated litigation and/or attorney/client privilege matters. Directors Steffes, Marks, Theiss, Schkade and Warren, Mr. Conner, Ms. Jarmon, Messrs. Shackelford, Peterson and Lee, Ms. Bobbitt and Ms. Dold remained in the executive session, at which time all other persons in attendance at the meeting exited the meeting room.

#### RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 8:48 p.m., at which time Messrs. Hudson, Cannon, Klein and Early reentered the meeting, and the following action was taken by the Board.

REVIEW AND DISCUSS SETTLEMENT OFFER FROM BRIDGESTONE LAKES DEVELOPMENT COMPANY, INC. ("BLDC")

Ms. Bobbitt then asked the Board to take action on the Settlement Offer from BLDC regarding Bonds Gully improvements, a copy of which 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 reject the Settlement Offer from BLDC concerning the Bonds Gully Project.

MISCELLANEOUS MATTERS

Ms. Bobbitt then reminded the Board that its next regular meeting is scheduled for Tuesday, June 16, 2009, at 7:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 21<sup>st</sup> day of July, 2009.

  
Secretary, Board of Directors

