

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
June 16, 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, June 16, 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, except Director Schkade, thus constituting a quorum. Director Schkade monitored the meeting by conference call. Also attending the meeting were: Mr. Gene Conner, General Manager for the District; Ms. Mary Jarmon of Myrtle Cruz, Inc., 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; Messrs. David Rowe and Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Mr. David Aguilar of Republic Services, Inc., 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. David Glunt of WB Sanctuary Development Partners, L.P., developer of The Sanctuary subdivision within the District; 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; Lieutenant Ron Glaze of the Harris County Precinct 4 Constable's Office; Messrs. Jimmie D. Williams and Dwight LeBlanc and Ms. Linda Wilkinson of the Bridgestone Lakes Homeowners Association; Ms. Nancy J. Woollard, a resident of Bridgestone Lakes subdivision; and Ms. Robin S. Bobbitt and Mr. Jonathan D. Polley 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.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze reported that there has been an increased number of commercial break-ins during the prior month. A copy of the Constable's Report for the month of April is attached hereto.

Lieutenant Glaze then exited the meeting at 6:05 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. The Board deferred action on the minutes of the regular meeting of May 19, 2009, special meetings of May 5, 2009 and May 26, 2009, and executive sessions of March 17, 2009 and April 21, 2009.

Mr. Peterson reported that he had added a pay estimate from M. Marlon Ivy & Associates, Inc. ("M. Marlon Ivy") to the Consent Agenda.

Upon motion by Director Theiss, 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) authorize advertising for bids, subject to Engineer's receipt, review and approval of project plans and specifications for the following projects: a) Upper Seals Gully Phase III-A improvements; b) The Sanctuary detention pond; c) Ditch "C" sanitary sewer pipe bursting project; and d) Rhodes Road water line extension project; 2) approve the following pay estimates and change order: a) Pay Estimate No. 3 in the amount of \$16,903.42 from Pipeline Video Inspection & Cleaning in connection with the 2008 sanitary sewer cleaning, televising and reporting project; b) Pay Estimate No. 4 in the amount of \$269,565.12 from CB&I, Inc. ("CB&I") in connection with the construction of the elevated storage tank (the "EST"); c) Pay Estimate No. 1 in the amount of \$186,608.53 and Change Order No. 1 in the amount of \$23,873.13 from SLC Construction, Inc. in connection with the construction of the water, sewer and drainage facilities to serve The Sanctuary; d) Pay Estimate No. 5 in the amount of \$664,643.12 from LEM Construction, Inc. in connection with the construction of the Sewage Treatment Plant (the "STP") expansion project; and e) Pay Estimate No. 1 and Final from M. Marlon Ivy in the amount of \$37,063.73 in connection with the water line relocation at FM 2920 and Gosling Road.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

The Board then recognized Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of May, a copy of which is attached hereto. Ms. Hall noted that 95.9% of the District's 2008 taxes have been collected to date. Ms. Hall next reported that the District's preliminary assessed valuation for the 2009 tax year is approximately \$870,000,000, including the 2008 personal property value of \$28 million, with approximately \$400,000 in protested values.

Ms. Hall then reported that she had received a request from Mr. Thanh Le for a waiver of penalty and interest on his 2008 taxes in the amount of \$347.55, because Harris County Appraisal District had sent the tax statement to the previous owner of the property. A copy of the letter is attached hereto. The Board concurred that the penalty and interest should be waived.

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, authorize payment of the checks reflected therein, and approve waiver of the 2008 penalty and interest on Mr. Thanh Le's account.

Mr. Early then entered the meeting at 6:10 p.m.

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. Director Steffes noted that Dr. Daykar Moparty is currently delinquent on paying his 2008 taxes, and suggested that the Board withhold plan approval in connection with any construction project on his property until he pays his 2008 delinquent taxes.

Mr. Hudson then reported that the 30 lots and two (2) homes owned by Supreme Builders, Ltd. have been foreclosed on as of the first part of June, and that the lienholders are sorting out the details regarding the payment of taxes.

Ms. Bobbitt next reported that Section V of the Delinquent Tax Attorney's Report recommends that 22 delinquent accounts be moved to the uncollectible taxes list.

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

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 and authorize moving the Section V delinquent tax accounts to the District's uncollectible tax list.

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.

Ms. Jarmon further reported that she had received a check in the amount of \$63,343.15 from the City of Houston for the District's share of the March Strategic Partnership Agreement sales tax revenue. In addition, Ms. Jarmon reported receipt of \$27,931.75 from the Federal Emergency Management Agency for the District's Hurricane Ike related damages.

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 Bookkeeper's Report, the investment report and the payment of the checks reflected therein.

Ms. Wilkinson and Mr. LeBlanc then entered the meeting at 6:20 p.m.

ADOPT RESOLUTION EVIDENCING INTENT TO REIMBURSE EXPENDITURES WITH PROCEEDS OF UNLIMITED TAX AND REVENUE BONDS (THE "RESOLUTION")

Ms. Bobbitt presented a Resolution for the Board's review and adoption, and explained that the Resolution contemplates that the District will use General Operating funds to pay for the following projects, as discussed and determined at the Board's June 2nd meeting: 1) Ditch "C" sanitary sewer pipe bursting project; 2) Upper Bonds Gully project; 3) Lower Bonds Gully project; and 4) a portion of the costs not covered by surplus funds pertaining to construction of The Sanctuary detention pond, pending the future issuance of unlimited tax and revenue bonds by the District.

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 adopt the Resolution, a copy of which is attached hereto.

ADOPT RESOLUTION AUTHORIZING APPLICATION FOR TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (THE "TCEQ") APPROVAL OF USE OF SURPLUS FUNDS (THE "SURPLUS FUNDS RESOLUTION")

Ms. Bobbitt next presented the Surplus Funds Resolution for the Board's review and adoption, and stated that there is \$467,000 in surplus funds remaining from the issuance of the District's Series 2007 Bonds. Ms. Bobbitt noted that the construction costs (including engineering and contingencies) for water plant nos. 1, 2 and 3 and the EST chloramine conversion project is \$445,000.

Upon motion by Director Theiss, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Surplus Funds Resolution, a copy of which is attached hereto.

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 reported that the homeowners suing the owner of the Albertson's detention pond have won their case, but that he has no knowledge regarding the details of the lawsuit.

Concerning the Bridgestone Lakes detention pond no. 2 connector pipe issue, Mr. Conner reported that repair work on the extension of the connector pipe was completed by Beyer Construction, LLP on Friday, June 12, 2009, and that the connector pipe had been inspected from the detention pond to the first manhole. Mr. Conner noted that the remainder of the repair work will be inspected after the detention pond is dewatered and the connector pipe is stabilized.

Mr. Conner further noted that the rehabilitation work on of the south bank of the Spring Terrace outfall channel is now complete.

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.

PUBLIC COMMENT

Mr. LeBlanc then asked when the Bridgestone Lakes detention ponds would be refilled. Mr. Conner responded that the detention ponds will be refilled once the final inspection of detention pond no. 2 is completed.

ADOPT RESOLUTION AUTHORIZING APPLICATION FOR TCEQ APPROVAL OF RELEASE OF ESCROWED FUNDS (THE "ESCROWED FUNDS RESOLUTION")

Ms. Bobbitt then presented the Escrowed Funds Resolution for the Board's review and adoption, and explained that by Order of the TCEQ, dated November 17, 2007, the District was ordered to place \$9,163,195.00 of bond proceeds in escrow pending TCEQ approval to release such funds. Ms. Bobbitt stated that the Escrowed Funds Resolution has been prepared in order to obtain release of \$556,600 from escrow for the Rhodes Road waterline extension project.

Upon motion by Director Theiss, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Escrowed Funds Resolution, a copy of which is attached hereto.

Mr. Rowe then entered the meeting at 6:30 p.m.

DIRECTOR'S INSPECTION REPORT

Director Warren reported that he had inspected the District's facilities with Mr. Staab on June 15th. A copy of his report is attached hereto. Director Warren noted that the signage at each of the District's facility sites has not yet been changed to reflect WDM's contact information. Director Warren emphasized that lift station No. 7 is a real mess and passed around a photograph of the site, a copy of which is attached hereto. Mr. Conner agreed that there have been problems with the maintenance of lift station no. 7.

Director Warren next stated that the Senterra Lakes detention ponds are also in need of maintenance. Mr. Hudson noted that the homeowners association is responsible for maintaining the detention pond.

Director Warren further reported that the Spring Terrace outfall ditch needs to be cleaned out and maintained. Mr. Conner responded that the outfall ditch will be cleaned and sodded following an upcoming construction project.

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

Mr. Staab then entered the meeting at 6:45 p.m.

OPERATOR'S REPORT

Mr. Rowe next presented the Operator's Report for the month of May to the Board, a copy of which is attached hereto. Mr. Rowe noted that several of the fields on his report were incomplete due to the fact that WDM is still sorting through the data/information received from SouthWest Water Company, the former operator for the District, but stated that everything should be in order next month.

Mr. Rowe next reported on receipt of a letter from the Harris-Galveston Subsidence District regarding the impending aggregation of utility district water well permits within the North Harris County Regional Water Authority, a copy of which is attached to the Operator's Report.

Mr. Rowe then reported that the STP is slowly coming around, but noted that there was a violation early in May in connection with the failure of the blowers. Mr. Conner stated that the STP is continuing to improve.

Concerning Klein Independent School District, Mr. Rowe reported that the new meter vault has now been installed and that the irrigation connection will be made in the near future. Mr. Rowe also reported that WDM had recently installed a tap for the Spring Creek Barbeque restaurant.

Upon motion by Director Theiss, 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.

ENGINEER'S REPORT

Mr. Peterson next reviewed the Engineer's Report, a copy of which is attached hereto.

Mr. Peterson reported that the construction contracts for water plant nos. 1, 2 and 3 and the EST chloramine conversion project are ready for execution.

Mr. Peterson next noted that he had received a quote of \$105,828 from CB&I, contractor for the EST construction project, to install six (6) 39-foot hinged poles with two (2) 1,000 watt lights on each pole. Mr. Peterson noted that the lighting could be added as a change order to the EST construction contract. Director Warren stated that he wanted to defer any action on the additional lighting until Directors Marks and Schkade are present. Director Theiss stated that she thinks a contractor at her office would be able to provide a lower bid on such work.

Director Marks then entered the meeting at 6:45 p.m.

Mr. Peterson next reported that Northwest Harris County Municipal Utility District No. 32 ("NWHCMUD No. 32") had previously approached the District regarding an emergency waterline interconnect. Mr. Peterson noted that Jones & Carter had reviewed the drawings for

the proposed interconnect in 2008, which would be located north of FM 2920 near Krimmel Intermediate School and constructed at the sole expense of NWHCMUD No. 32. Mr. Peterson stated that NWHCMUD No. 32 is now ready to proceed with the installation of the emergency waterline interconnect. Ms. Bobbitt advised the Board that the districts had entered into an Emergency Water Supply Agreement dated December 16, 2008 with NWHCMUD No. 32.

Mr. Peterson next reported that the STP construction contractor has informed Jones & Carter that a generator is available that is exempt from the 2009 emission standards for a cost deduction of \$45,000, and noted that the matter could be handled as a change order to the STP expansion contract. 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 authorize the change order for the generator.

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

Ms. Wilkinson then inquired if the Bridgestone Lakes detention pond no. 2 work had been accepted. Mr. Peterson responded that the work had not been accepted and would not be accepted until the final inspection is performed and the pond is refilled with water. Ms. Wilkinson noted that there are still several broken irrigation lines that were damaged during the detention pond work. Mr. Hudson responded that his contractor is going to repair the irrigation lines, as well as the detention pond sidewalks and stairs.

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 Engineer's Report.

REVIEW AND DISCUSS PROPOSAL FROM IN-PIPE TECHNOLOGY COMPANY LLC ("IN-PIPE")

Mr. Conner then reported that Mr. William L. Black, P.E. of Environmental Professionals, Inc. and manufacturer's representative for In-Pipe, had called recently to offer a reduction in the monthly fee by \$1,000 for the In-Pipe bacterial augmentation process until the District's STP expansion is completed and the STP is operating at full capacity again. Director Marks then commented that he and Director Theiss had researched the bacterial augmentation process and related costs and believe it to be a viable consideration for the District. Mr. Conner noted that he feels the cost quoted is in line with other projects he has seen. Director Marks then questioned if anyone had checked other companies to ascertain if the District could get a better price for this type of augmentation process. A discussion ensued regarding the history and evolution of the bacterial augmentation process. Director Warren noted that the board of directors of Northampton Municipal Utility District will be attending the Association of Water Board Directors - Texas Annual Conference this weekend, and that it would be a good time to talk with them about their experience with the In-Pipe bacterial augmentation process. Mr. Conner noted that Mr. Black is presently on vacation, and stated that he would obtain additional information from Mr. Black when he returns.

Mr. Peterson then asked the Board to review the draft of the proposed chloramine conversion letter to be sent to the District's customers prior to the 2010 conversion to surface

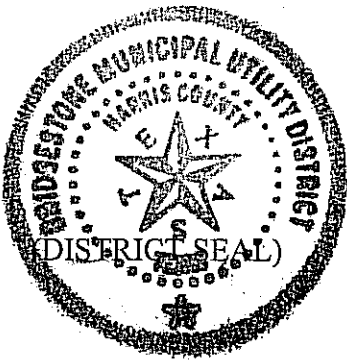
water, a copy of which is attached hereto. A discussion ensued regarding the District's operational expenses in connection with the District's 2010 conversion to surface water. Mr. Peterson asked the Board to forward any comments regarding the letter to him. Director Steffes noted that the District must give the residents as much notice of the conversion as possible. Mr. Rowe added that the public needs to be prepared and educated for the conversion.

MISCELLANEOUS MATTERS

Ms. Bobbitt then reminded the Board that its next regular meeting is scheduled for Tuesday, July 21, 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 21st day of July, 2009.



Luda Shein
Secretary, Board of Directors