

MINUTES OF MEETING
OF
BOARD OF DIRECTORS
August 17, 2010

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, August 17, 2010, 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., bookkeeper for the District; Ms. Pat Hall of Equi-Tax, Inc. ("Equi-Tax"), tax assessor/collector for the District; Messrs. Erich Peterson, P.E. and Josh Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Ms. Jordan Johnson, summer intern with Jones & Carter; Mr. Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Mr. David Aguilar of Republic Services, Inc., garbage collection provider 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. Tim Early of K. Hovnanian Homes, an investor in the Bridgestone Lakes, Section 4 subdivision and a developer in the Gosling Pines subdivision; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; Mr. Charles Mountfort, a resident of 6807 Tammany Manor Lane in the Spring Terrace subdivision; Mr. Byron O. Gannon, a resident of 21311 Slippery Creek in the Bridgestone subdivision; 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.

PUBLIC COMMENT

Director Steffes then recognized Mr. Mountfort, who reported that he has noticed that his water has an odor since the District converted to surface water. Mr. Mountfort stated that he had flushed his house lines, which somewhat reduced the odor. Director Warren then reported that no one had complained about the surface water at the Bridgestone Homeowners Association meeting last night. Director Steffes noted that WDM had not received many calls regarding water quality since the District converted to surface water. Director Steffes encouraged Mr. Mountfort to call WDM if the water quality problem persists. Mr. Staab noted that the calls that WDM had received were regarding discoloration of the water.

Mr. Mountfort next stated that he rarely sees the Constables patrolling in the Spring Terrace subdivision. Mr. Mountfort mentioned that he had recently observed several young men walking in his subdivision late at night. Director Warren encouraged Mr. Mountfort to contact the Constable's office when he observes such activity.

Director Steffes next recognized Mr. Gannon, who stated that he has been a resident in the District since May of 1982, and noted that he has not experienced any water quality issues with surface water.

Mr. Peterson then introduced Ms. Johnson and explained that she is a senior at Texas Tech University, who has been working in The Woodlands office of Jones & Carter this summer as an intern.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze then presented the monthly Constable's Report that had been previously distributed to the Board, a copy of which is attached hereto. Lieutenant Glaze stated that things had been relatively quiet in the District, but reported that someone had stolen approximately \$90,000 worth of air conditioning units from the Memorial Baptist Church on Kuykendahl Road and stripped the copper tubing from the air conditioning unit at the car wash located on FM 2920.

Mr. Mountfort then asked what the response time is if he calls the Constable's office. Lieutenant Glaze stated that it depends on where the patrol cars are located when the call is received, but that the Constables try to respond as quickly as possible to calls.

Director Theiss then asked if the stickers with the Constable's number have been distributed to the District residents. Director Warren responded that he is waiting to receive more stickers, which will then be mailed out to residents with the District's water/sewer billing statements.

Lieutenant Glaze then exited the meeting at 6:32 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 five (5) sets of minutes were being presented for approval, including the regular meeting of July 20, 2010 and the special meetings of June 1, 2010, June 8, 2010, June 22, 2010 and July 27, 2010. Director Marks then noted a typographical error on page 4 of the July 20, 2010 minutes and a correction on page 2 of the July 27, 2010 minutes.

Mr. Peterson then stated reported that he had two (2) change orders to add to the Consent Agenda for approval, including a change order from LEM Construction, Inc. ("LEM") (a deduction of \$10,208.39 for diffusers) and a change order from Nunn Constructors, Ltd. ("Nunn") (an increase of \$3,980 for the relocation of a sampling tap, which is to be paid by Jones & Carter).

Upon motion by Director Theiss, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted unanimously to approve the following Consent Agenda items: 1) approval of the minutes of the regular meeting of July 20, 2010, as corrected, and the special meetings of June 1, 2010, as written, June 8, 2010, as written, June 22, 2010, as written, and July 27, 2010, as corrected; 2) authorize advertising for bids, subject to Engineer's receipt, review and approval of project plans and specifications for the Gosling Pines detention pond outfall modifications; 3) approve the following pay estimates and change orders: a) Pay Estimate No. 5 in the amount of \$55,611.97 from Paskey Incorporated in connection with the construction of the Upper Bonds Gully modification project; b) Pay Estimate No. 18 in the amount of \$502,500.90 and Change Order No. 5 in the amount of \$10,208.39, a deduction for diffusers, from LEM in connection with the construction of the Wastewater Treatment Plant (the "WWTP") expansion project; and c) Change Order No. 1 in the amount of \$3,980 (to be paid by Jones & Carter) for the relocation of a sampling tap from Nunn in connection with the construction of Water Plant Nos. 1, 2, 3 and 4 and the Elevated Storage Tank (the "EST") and chloramine conversion project; 4) ratify approval for the District to pay for the resurfacing of the floor in the Jerry Thomas Center; 5) adopt an Order Regarding Annual Review of Rules, Policies, Code of Ethics and List of Authorized Brokers for the Investment of District Funds; and 6) authorize execution of a Dedication of Flood Control and Drainage Easement to the Public.

REGULAR AGENDA

REVIEW AND APPROVE FEASIBILITY STUDY FOR WATER AND SANITARY SEWER SERVICE TO A 1.7803-ACRE COMMERCIAL TRACT OWNED BY KM-TS PARTNERS, LP

Mr. Peterson then distributed and reviewed with the Board the service feasibility study prepared concerning the request from KM-TS Partners, LP for water and sanitary sewer service to a 1.7803-acre commercial tract located along the south right-of-way ("ROW") of FM 2920, approximately 1,000 feet west of the intersection of FM 2920 and Kuykendahl Road, a copy of which is attached hereto. Mr. Peterson stated that the proposed small retail strip will require

5,500 gallons per day ("gpd") of water capacity. Mr. Peterson further explained that there is an existing 12-inch waterline along the north ROW of FM 2920 from which the developer will need to extend an eight (8") inch waterline underneath FM 2920 through a 16-inch steel casing. Mr. Peterson added that the owner will also be required to dedicate a 10-foot wide waterline easement across the front of the property to the District.

Concerning sanitary sewer service, Mr. Peterson reported that the proposed development will require 4,500 gpd average daily flow. Mr. Peterson explained that there is an existing 12-inch sanitary sewer line located along the north ROW of FM 2920 from which the developer will need to extend an eight (8") inch sanitary sewer line underneath FM 2920 in order to obtain service. Mr. Peterson added that the owner will also need to dedicate a 15-foot wide sanitary sewer easement across the front of the property to the District.

Mr. Peterson concluded his presentation by stating that the project, at present, is considered private and will cost the owner/developer \$63,000 in costs in order to obtain water/sewer service for the tract. Mr. Peterson further noted that if/when the vacant land adjacent to the tract is developed and the facilities meet the requirements for public facilities, the owner/developer may be eligible for reimbursement from the District.

Upon motion by Director Marks, seconded by Director Theiss, after full discussion and the question being put to the Board, the Board approved the feasibility study for KM-TS Partners, LP.

REVIEW PROPOSALS FOR RENEWAL OF THE DISTRICT'S INSURANCE COVERAGES

Mr. Conner then reported that Highpoint Insurance Group, LLC ("Highpoint"), the District's current insurance carrier, and AquaSurance, L.L.C. ("AquaSurance") had submitted proposals for the renewal of the District's insurance coverages. Copies of the two (2) proposals are attached hereto. Mr. Conner explained that the District's property values had increased significantly with the new EST, chloramination disinfection equipment and the expanded WWTP. Mr. Conner recommended that the Board approve the proposal from Highpoint with a total premium amount of \$36,952, noting that the premium total reflected in AquaSurance's proposal was \$39,422. 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 renew the District's insurance coverages with Highpoint.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of July, a copy of which is attached hereto. Ms. Hall reported that 98.4% of the District's 2009 taxes have been collected to date.

Ms. Hall then explained that the Harris County Appraisal District has notified Equi-Tax that they will be certifying the 2010 tax values on August 20, 2010. Ms. Bobbitt noted that the Board will discuss the 2010 tax rate, authorize publication of the effective tax rate calculation and establish a public hearing date regarding the 2010 tax rate at its September 21st meeting.

Upon motion by Director Theiss, seconded by Director Marks, 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 then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto.

Ms. Hall noted that the Delinquent Tax Attorney has offered installment payment plans to the delinquent accounts reflected as item numbers 2, 5, 6, 7, 8 and 9 in Section II of the Report. Ms. Bobbitt asked Ms. Hall to request copies of the installment payment plan agreements from Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue Brandon"), delinquent tax attorney for the District.

Ms. Hall next reported that the Perdue Brandon is recommending that the 32 delinquent tax accounts listed in Section III of the Report be tagged for termination of water service. Ms. Bobbitt explained that termination letters were sent to delinquent tax accounts following the Board's July 20, 2010 meeting, giving the taxpayers until today to pay their delinquent taxes, and that these 32 accounts represent those who did not respond to the termination letter.

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 Delinquent Tax Attorney's Report, and to authorize WDM to tag the properties and terminate service to the delinquent tax accounts reflected in Section III of the Report.

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 noted that 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, easement acquisitions and/or other services provided by the District.

Ms. Jarmon next reported that \$43,945.43 had been received in tap fees during the prior month.

Ms. Jarmon then reported that she had received a check in the amount of \$55,264 from the City of Houston for the District's share of the Strategic Partnership Agreement May sales tax revenue.

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

GENERAL MANAGER'S REPORT

Mr. Conner then reviewed with the Board the General Manager's Report, previously distributed to the Board, a copy of which is attached hereto.

Mr. Conner first reported that the valve surveys in Bridgestone, Sections 1 and 2 had been completed and stated that the valve surveying will continue from the oldest sections to the newest sections of the District. Director Marks inquired if the District will have the ability and technology to maintain the final valve report on the District's GIS information and be able to add new valves to the master survey. Mr. Conner responded that the information would be accessible in the District's GIS files. Mr. Conner explained that the current valve survey is using GPS coordinate technology for the valve locations, and that such information will be stored in the District's GIS files. Mr. Conner noted that seven (7) shut off valves had been found.

Concerning water quality issues, Mr. Conner reported that the complaints received during the first of July had been resolved, and that only one (1) water discoloration call had been received since that time. Mr. Conner further explained that in certain areas of the District, the water flow was reversed when the EST was put online, and that could have led to the temporary color and odor problems.

Mr. Conner next reported that he, Directors Steffes and Marks, and Mr. David Rowe of WDM went to Weimar, Texas to observe how that town's automated meter reading ("AMR") equipment works. Mr. Conner reminded the Board that since 2004, the District has installed 1,500 AMR meters, but that the encoder receiver-transmitters ("ERTs") have not yet been activated in those subdivisions with the AMRs. Mr. Conner informed the Board that an ERT is capable of reading two (2) meters at a time as the meter reader drives along each street.

Mr. Conner then suggested scheduling a special meeting on August 24th to further discuss the AMR and ERT technology and implementation/usage of same.

Mr. Conner next reported that the programmable logic controller ("PLC") at the EST has been tripping and causing low water pressure. Mr. Conner stated that the contractor for the North Harris County Regional Water Authority will be replacing the faulty PLC within the next few days and, in the meantime, Mr. Staab will continue manual operation of the PLC in order to fill the EST.

Concerning the Upper Bonds Gully modifications project, Mr. Conner reported that the driving range at FM 2920 and Bridgestone Lane will reopen on Monday, August 23rd. Director Warren pointed out that funds to provide protective nets at the driving range had been paid by the District to Mr. Fred Grundmeyer, the owner of the property, several years ago.

Mr. Conner then reported that he and representatives of Jones & Carter had recently met to review the overall Hike and Bike Trail plan along the District's Harris County Flood Control District drainage easements and storm water detention ponds that will be submitted to Harris County for review and approval.

Director Warren then stated that he would like the Board to discuss landscaping at the EST. Mr. Conner responded that there are several facilities that require landscaping and offered to include a discussion item on the upcoming special meeting agenda for August 24th.

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 General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Steffes then presented the Director's Report in connection with his inspection of the District's facilities with Mr. Staab on August 12, 2010, a copy of which is attached hereto. Director Steffes first reported that the extremely hot weather is affecting the grass at all of the District's facilities.

Director Steffes next reported that the Gosling Pines detention pond is littered with beer cans and requires clean-up.

Director Steffes then asked Mr. Staab to order heavier gauge pipe for the gates at the District's lift stations. Mr. Staab stated that he is working on such matter.

Director Steffes then reported that the eyewash station at the EST is operating, but that the eyewash stations at Water Plant Nos. 2 and 3 are not yet operational. Director Marks asked Mr. Conner and Mr. Staab to look into providing privacy screens at the eyewash stations since such stations also serve as shower areas.

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

Ms. Hall then exited the meeting at 7:20 p.m.

OPERATOR'S REPORT

Mr. Staab next presented the Operator's Report for the month of July to the Board, a copy of which is attached hereto. Mr. Staab reported that the water accountability for the month was 97.6%, and that the District currently has 5,382 active connections.

Mr. Mountfort then asked if the WDM meter readers wear uniforms. Mr. Staab responded that they wear a WDM shirt. Mr. Mountfort reported that he saw two (2) men in an old model car without identity signs and without uniforms driving around in the Spring Terrace subdivision, but that he did not call the Constable's office about such matter. Director Warren again reiterated that residents need to report such events to the Constable's office. Mr. Staab stated that he will check on the meter readers in the Spring Terrace subdivision.

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.

ENGINEER'S REPORT

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

Mr. Peterson next updated the Board on the status of Bon Application Report ("BAR No. 11"). Mr. Peterson reported that following the consultants' meeting on July 13th, Jones & Carter had sent letters to Mr. Perry Senn (Northcrest Village subdivision), Mr. Bob Hudson (Senterra Lakes and Villages of Senterra Lakes subdivisions), Mr. Andrew Hendricks (Bella Sera subdivision), Mr. Tim Early (Bridgestone Lakes, Section 4 subdivision), Ms. Jennifer Keller (Springbrook subdivision), and Mr. Glen Irby (Realtex Ventures commercial tract) regarding the inclusion of their projects in BAR No. 11. Mr. Peterson informed the Board that Senterra Lakes has opted out of BAR No. 11 in order to have additional time to increase values in their development. Mr. Peterson added that the deadline for the developers to submit their reimbursement information and all necessary back-up information for inclusion in BAR No. 11 is Friday, August 20, 2010.

Director Marks then asked Mr. Peterson to identify the construction project that has begun near Janie's Bar. Mr. Peterson responded that it is the Ditch "C" pipe bursting project. Mr. Peterson noted that the new sign at Janie's Bar may be encroaching on the District's easement.

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 recommended that the Board request an appraisal of property as of September 1, 2010 from the Harris County Appraisal District, and stated that she will include such item on the September 21st agenda.

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

Director Marks asked Mr. Conner to investigate the cost to have the District's website address included on the District information signage posted at the District's facilities.

Mr. Conner then reminded the Board that a special meeting will be held on Tuesday, August 24, 2010, at 6:00 p.m.

Ms. Bobbitt also noted that the next regular meeting of the Board is scheduled for Tuesday, September 21, 2010, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 21st day of September, 2010.


Secretary, Board of Directors

(DISTRICT SEAL)

