

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

July 19, 2011

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, July 19, 2011, 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: Ms. Marsha Jan of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; 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., tax assessor/collector for the District; Messrs. Erich Peterson, P.E. and Joshua Lee of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Deputy David Mayes of the Harris County Precinct 4 Constable's Office; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, 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; Mr. Perry Senn of Peron Development, Inc., developer of the Villages of Bridgestone, Bella Sera and Northcrest Village subdivisions; Ms. Juanita Orsak, Land Development Manager of D.R. Horton-Texas Ltd. ("D.R. Horton"), builder in The Sanctuary Veritas subdivision; Mr. Costa Bajjali, President, of Wallace Bajjali Development Partners, LP "Wallace Bajjali", developer of The Sanctuary Veritas subdivision; Mr. Jeff Haneline a resident of the District; and Mr. Jonathan D. Polley, 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.

Director Marks reported that Director Steffes would arrive late and therefore, he would preside over the meeting.

PUBLIC COMMENT

Director Marks asked if Mr. Haneline wished to address the Board. Mr. Haneline responded that he wanted to know if the posting and publication requirements for the Harris County Emergency Services District No. 7 ("HCESD No. 7") sales tax election in May had been met. Director Marks responded that the Notice of Election had been posted and published. Mr. Haneline stated that he noticed that sales tax had increased on some of his purchases.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Deputy Mayes then presented the monthly Constable's Report that had previously been distributed to the Board, a copy of which is attached hereto. Deputy Mayes reported that two (2) people had been arrested for the rash of air rifle shootings along FM 2920. Deputy Mayes also reported that a male had been arrested for stalking and exposing himself to a female in the Wal-Mart shopping center.

Deputy Mayes then exited the meeting at 6:10 p.m.

CONSENT AGENDA

Director Marks then reviewed with the Board the items reflected on the Consent Agenda. Director Marks 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 stated that there had been no changes to the Engineer's Report. Ms. Dold reported that there is a typographical error on page 9 of the minutes and stated that there will be 33 lots in Villages of Senterra Lakes, Section 5.

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 following Consent Agenda items: 1) approval of the minutes of the regular meeting of June 21, 2011, as corrected; 2) approval of the following pay estimates and change order: a) Pay Estimate No. 1 and Final in the amount of \$16,090.00 from Generators of Houston in connection with the construction of Lift Station Automatic Transfer Switch Additions; b) Pay Estimate No. 2 and Final in the amount of \$4,728.80 from Generators of Houston in connection with the construction of Portable Generator Quick Connects; and c) Pay Estimate No. 2 in the amount of \$181,926.16 and Change Order No. 1 in the amount of \$4,340.00 (for the installation of a sanitary sewer lead under the pavement on Tatton Crest), from C. E. Barker, Ltd. in connection with construction of the water, sewer and drainage facilities to serve Northcrest Village, Section 7; 3) authorize execution of the following dedications: a) dedication of Flood Control and

Drainage Easement to the Public in connection with the Wal-Mart/Northcrest Detention Pond; and b) dedication of Flood Control and Drainage Easement to the Public in connection with Seals Gully, copies of which are attached.

REGULAR AGENDA

STATUS OF THE DISTRICT'S \$6,470,000 WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2011 (THE "SERIES 2011 BONDS")

Mr. Polley reported that the Series 2011 Bonds are scheduled to be funded on Wednesday, July 27, 2011.

REVIEW AND APPROVE REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONSTRUCTION, ENGINEERING, AND RELATED COSTS REIMBURSABLE TO DEVELOPERS OF PROJECTS ("AUP") FROM THE PROCEEDS OF THE BONDS

Ms. Jan then reviewed the AUP, including the reimbursable amounts and schedules for the following projects: 1) \$1,105,129.76 for Bridgestone Lakes, Section 4 water, sewer and drainage facilities and detention pond, including land acquisition; 2) \$1,098,083.94 for Northcrest Village, Section 2 water, sewer and drainage facilities and Northcrest Village, Section 7 drainage channel and detention facilities; 3) \$594,543.98 for Bella Sera detention pond, including land acquisition; 4) \$592,680.83 for Springbrook, Section 6 water, sewer and drainage facilities and Springbrook, Section 7 water, sewer and drainage facilities; and 5) \$2,069,126.90 for Villages of Senterra Lakes, Section 1 water, sewer and drainage facilities and detention pond, including land acquisition. Ms. Jan explained that the District will hold \$25,463.95 pending the acceptance of the Villages of Senterra Lakes, Section 1 detention pond by Harris County Flood Control District. Ms. Jan reported that pursuant to Ms. Jarmon's verification, \$86,272.97 of the Series 2011 Bonds proceeds will be repaid to the District's General Operating Fund.

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 AUP and authorize the bookkeeper to disburse the reimbursables following the funding of the Series 2011 Bonds on Wednesday, July 27, 2011.

Ms. Jan then exited the meeting at 6:30 p.m.

APPROVE AND AUTHORIZE EXECUTION OF PETITION FOR CONSENT TO ANNEX LAND FOR THE ANNEXATION OF THE 4.8-ACRE COMMERCIAL TRACT

Ms. Dold reported that the annexation documents for the addition of the 4.8-acre commercial tract located on FM 2920 west of T. C. Jester Boulevard had been delivered to Mr. Joseph J. Palumbo of Third Generation Development LP ("Third Generation") for his execution. Mr. Polley recommended that the Board approve and authorize execution of the Petition for Consent to Annex Land that will be submitted to the City of Houston (the "City"),

contingent upon the District's receipt of a Petition for Annexation of Land from Third Generation.

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 and authorize execution of the Petition for Consent to Annex the 4.8-acre commercial tract, a copy of which is attached hereto, and to authorize Johnson Radcliffe to submit same to the City upon receipt of a Petition for Annexation of Land from Third Generation.

APPROVE AND AUTHORIZE EXECUTION OF ANNEXATION AND SERVICE AGREEMENT WITH THIRD GENERATION

Mr. Polley then stated that the Annexation and Service Agreement with Third Generation had been omitted from the agenda, but suggested that the Board approve and authorize execution of the agreement and stated that the action will be ratified at the August 16, 2011 meeting.

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 and authorize execution of the Annexation and Service Agreement, a copy of which is attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT AND DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of June, a copy of which is attached hereto. Ms. Hall reported that 98.4% of the District's 2010 taxes have been collected to date and that the 2010 delinquent tax accounts had been turned over to the Delinquent Tax Attorney. Ms. Hall further reported that the Harris County Appraisal District has indicated that they will have the District's certified values by second (2nd) week of August.

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall reported that the Supreme Builders, Ltd. account had been paid in full. Ms. Hall further reported that the Delinquent Tax Attorneys will make their water termination recommendations at the District's August 16th meeting.

Director Marks then asked that in the future, the Board identify delinquent tax accounts by the account numbers and not use the names on the account.

Concerning account no. 115-184-002-0093 and the owner's over-65 tax deferral for the years 1998-2009, Ms. Hall reported the deferral is still in force, but the owner's family has indicated that a tenant is going to move into the house. Ms. Hall further reported that the owner's family has agreed to pay \$300 per month for six (6) months to pay the deferred taxes for the years 1998-2009, and that the first payment had been received on July 6, 2011.

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 to authorize payment of the checks reflected therein, and to approve the Delinquent Tax Attorney's 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 noted that there had been no changes to her report since she distributed it, but stated that she had handed out a Supplemental List reflecting the amount of reimbursement to be paid to each developer upon closing of the Series 2011 Bonds, a copy of which is attached hereto.

Ms. Jarmon next reported that she received a check in the amount of \$59,789.00 from the City for the District's share of the April sales tax revenue in connection with the District's Strategic Partnership Agreement with the City. Ms. Jarmon also reported receipt of \$24,119.93 in tap fees during the prior month.

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. Hall then exited the meeting at 6:40 p.m.

GENERAL MANAGER'S REPORT

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

Mr. Conner first noted that the Tiger Flow Programmable Logic Controller (the "PLC") at the elevated storage tank site had been damaged by an apparent lightening strike on Sunday, July 10th. Mr. Conner stated that repairs to the PLC are being made this week.

Mr. Conner next reported that the Thioguard (magnesia sulfate) treatment pilot program to reduce odor in Lift Stations Nos. 4 and 5 has been completed. Mr. Conner stated that a special meeting will held on August 9, 2011, at 6:00 p.m., to review the test results and to determine how the Board will proceed with the odor abatement process.

Director Marks reported that around 4:00 a.m. one day recently, the odor from the interceptor manhole adjacent to the Bridgeview Lane Shopping Center was horrible.

Mr. Conner noted that the pilot program proved that the odor can be controlled, but the Board must balance the increased maintenance costs associated with the use of Thioguard in the sanitary sewer system with its desire to reduce odors.

Director Marks then asked Mr. Conner and/or WDM to check and see if the resident at 4602 Whispering Rock is dumping pollutants into the manhole located at his address.

Director Warren reported that a resident on Moss Gate called him to report a leak in an irrigation system. Director Warren commended Mr. Staab and Mr. Conner for their quick response and repair of the leak.

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 Theiss then reported that she had inspected the District's facilities with Mr. Staab, on July 18, 2011, and found the facilities' sites to be in good order. A copy of her Inspection Report is attached hereto. Director Theiss reported that there had been three (3) water main breaks on Bridgestone Lane in three (3) days.

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 Director's Inspection Report.

OPERATOR'S REPORT

Mr. Staab next presented the Operator's Report for the month of June to the Board, a copy of which is attached hereto. Mr. Staab reported that the water accountability for the month was 93.7%, with a four (4) month average of 93.5%, and that the District currently has 5,515 active connections.

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 termination of service to the delinquent accounts, in accordance with the provisions of the District's Rate Order.

Director Steffes then entered the meeting at 6:55 p.m.

ENGINEER'S REPORT

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

Mr. Peterson first reported that Jones & Carter had contacted the developers regarding the Harris County street acceptances for Stone Forest, Section 4 and Gosling Pines, Section 1 to remind them that 10% of their reimbursables from the proceeds of the District Bond Issue No. 10 had been withheld until such time that the street acceptances were received. Mr. Peterson noted that the developers had indicated that they will proceed with obtaining the necessary street acceptances.

Mr. Peterson reported that the inspection of the facilities in The Sanctuary Veritas, Phases 1 and 2 was conducted on July 23, 2011. Mr. Peterson briefly reviewed the items that needed to be cleaned out and repaired. Mr. Peterson emphasized that the Board must be certain that the construction project is finalized and reminded the Board that SLC Construction, L.P., the initial construction contractor, has gone out of business. Mr. Peterson stated that Wallace Bajjali, the developer, and D.R. Horton, the builder, are reviewing proposals for addressing the deficiency items found during the facilities inspection and the costs to complete the project. Mr. Bajjali noted that he thought an attorney for the construction contractor had filed an affidavit with the bankruptcy court stating that the contractor had completed the project. Mr. Peterson indicated that he will send Mr. Bajjali information regarding how much of the project was completed so that Mr. Bajjali can notify the bankruptcy court.

Mr. Peterson next reported that he, Mr. Conner, Directors Steffes and Marks and Ms. Bobbitt had an informal meeting with Mr. Ed Shackelford, P.E. and Directors Chamberlain and Cuneo of the Bilma Public Utility District ("Bilma"), on July 11, 2011, to discuss the proposed development of a 1.98-acre tract of land, by The Texas Mortgage Group, Inc. Mr. Peterson stated that the 1.98-acre tract is a portion of the North Pine Business Park tract, located within the District on Spring Cypress Road. Mr. Peterson noted that the developer, Mr. Bob Hudson, is proposing to develop six (6) lots to be included in Bilma's Country Lake Estates, Section 4 subdivision. Mr. Peterson noted that the purpose of the informal meeting had been to discuss whether the District would consider sharing with Bilma a portion of the maintenance tax revenue the District would collect on the 1.98-acre land as compensation for Bilma's maintenance cost.

Mr. Peterson next reviewed with the Board a Summary of Tax Revenue on the six (6) homes that was included in the Engineer's Report packet and attached hereto. Director Steffes explained that the District would receive the tax revenues on the assessed values of the six (6) lots, but the six (6) lots would receive water, sewer and garbage collection services from Bilma. Upon motion by Director Steffes, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted in favor of sharing \$0.09 of the District's maintenance tax collected on the six (6) lots with Bilma, with Director Theiss abstaining. Mr. Polley noted that an agreement will be prepared between the District and Bilma to specify the conditions.

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.

DISCUSS AND APPROVE PREPARATION OF AN ASSIGNMENT OF RECEIVABLES UNDER THE AGREEMENT FOR FINANCING OF FACILITIES FOR THE SANCTUARY VERITAS TO D.R. HORTON (THE "AGREEMENT")

Ms. Orsak then addressed the Board noting that she had requested the agenda item. Ms. Orsak reported that D.R. Horton is considering purchasing The Sanctuary Veritas land from the bankruptcy estate of the prior developer. Ms. Orsak requested that the Board authorize Johnson Radcliffe to prepare an Assignment of Receivables from WB Sanctuary Development

Partners, L.P. ("WB Sanctuary") to D.R. Horton and to prepare the Agreement with renegotiated terms that would allow D.R. Horton to build out the remainder of The Sanctuary Veritas development. Ms. Orsak explained that the bankruptcy court will need to approve any assignment of receivables. Director Marks asked Mr. Peterson if an updated feasibility study would be necessary. Mr. Peterson responded that it would depend on the renegotiated terms of the Agreement. Mr. Polley then interjected that The Sanctuary Veritas infrastructure is not going to change because it is mostly installed, but the projected values of the homes to be constructed differs from the previous projections. Director Steffes asked if the development will remain a gated community. Ms. Orsak responded that D.R. Horton plans to retain the gated community concept. Ms. Orsak also stated that the subdivision plat calls for private streets, and D.R. Horton intends to retain the architectural and ornamental concepts of the previous developer.

Director Marks recommended that the Board should hold a special meeting to further discuss the terms of an Agreement. Director Steffes asked Mr. Bajjali or Ms. Orsak to provide the Board and consultants with a schedule of the bankruptcy court dates. Mr. Polley explained that D.R. Horton needs Jones & Carter to run a reimbursement calculation worksheet ("RCW") with storm sewer reimbursement numbers and an RCW without the storm sewer reimbursement numbers to assist with D.R. Horton's decision about whether the project is feasible. At the same time, Mr. Polley continued, Jones & Carter needs to prepare updated RCWs using D.R. Horton projected values. Mr. Polley also stated that D.R. Horton must have the Assignment of Receivables approved by the bankruptcy court.

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 Jones & Carter to prepare an updated feasibility study that will include RCWs, with and without the storm sewer reimbursement, and authorize Johnson Radcliffe to prepare the form of Assignment of Receivables from WB Sanctuary to D.R. Horton.

The Board then concurred that a special meeting would be held on July 26, 2011 at 6:00 p.m.

Ms. Jarmon then exited the meeting at 7:40 p.m.

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

Mr. Polley reported that the HGSD has sent a renewal Interlocal Agreement for sponsorship of the Water Wise Programs at Roth Elementary and Northwoods Catholic Schools. Mr. Polley stated that the cost is calculated at \$34.50 per student based on the 2010 enrollment of 157 fourth and fifth grade students.

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 and authorize execution of the Interlocal Agreement, a copy of which is attached hereto.

ATTORNEY'S REPORT

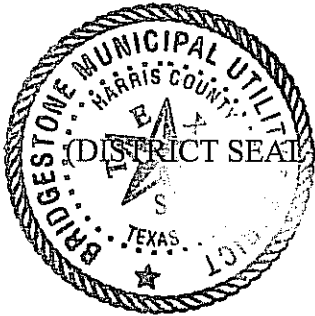
Mr. Polley reported that the attorneys and engineers are progressing with the acquisition of the drainage easements for Lower Bonds Gully. Mr. Polley noted that he had recently received a letter from Mr. Merritt Spencer, an attorney for Mr. Tom Manis, making several requests that Mr. Polley needs to clarify with Mr. Spencer. Mr. Polley reported that the owners of the Jurischk tract are ready to close, and Mr. Jimmie Schindewolf is reviewing the plans for The Sanctuary Veritas detention facilities prior to finalizing his conveyance of the property.

MISCELLANEOUS MATTERS

Mr. Polley then stated that the next regular meeting of the Board is scheduled for Tuesday, August 16, 2011, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 16th day of August, 2011.




Secretary, Board of Directors