

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

April 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, April 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: Mr. Gene Conner, General Manager for the District; Mr. L. Carlin Short II, financial advisor for the District; Mr. Noel Barfoot of McCall Gibson Swedlund Barfoot PLLC ("McCall Gibson"), auditors 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; Messrs. David Rowe and Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Lieutenant Ronnie Glaze of the Harris County Precinct 4 Constable's Office; 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; Messrs. Joe Palumbo, Jr. and Joe Palumbo, Sr., developers of a 4.8-acre tract of land; Mr. Lester Jones, P.E., representing NewQuest Properties ("NewQuest"); Ms. Juanita Orsak of D R Horton; Mr. Jeff Haneline, a resident of the District; 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.

Mr. Haneline exited the meeting at 6:01 p.m.

HARRIS COUNTY PRECINCT 4 CONSTABLE'S REPORT

Lieutenant Glaze then presented the monthly Constable's Report that had previously been distributed to the Board, a copy of which is attached hereto. Lieutenant Glaze reported that there had been a rash of 18 or 19 burglaries in the District during the reporting period. Lieutenant Glaze stated that there were 19 suspects, four (4) of whom had been apprehended. Lieutenant Glaze noted that the suspects were high school students who lived in the District. Lieutenant Glaze further reported that the new deputy had been added to the District's patrol force.

Lieutenant Glaze then exited the meeting and Mr. Barfoot entered the meeting at 6:10 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. Mr. Peterson stated that there had been no changes to the Engineer's Report. Ms. Bobbitt stated that the minutes of the special meeting of March 29, 2011 had not yet been finalized for approval.

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 following Consent Agenda items: 1) approval of the minutes of the regular meeting of March 15, 2011 and the special meeting of March 1, 2011, as written; 2) approval of Pay Estimate No. 1 in the amount of \$42,559.20 from Generators of Houston in connection with the installation of the Portable Generator Quick Connects; and 3) ratify the approval and execution of First Amendment to Agreement for Law Enforcement Services with Harris County, Texas.

REGULAR AGENDA

CONSIDER REQUEST FROM JOE PALUMBO FOR ANNEXATION OF 4.8-ACRE COMMERCIAL TRACT

Mr. Peterson then reported that the 4.8-acre tract of land is located between Northwest Harris County Municipal Utility District No. 32 and the District on FM 2920 near T.C. Jester Boulevard. Mr. Palumbo then handed out a copy of his application with exhibits showing the location of the tract, a copy of which is attached hereto. Director Schkade asked what is to be built on the tract. Mr. Palumbo responded that he will build a salon mall on one (1) acre and an office building on the remainder of the property. 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 authorize Jones & Carter to prepare an annexation feasibility study on the 4.8-acre tract of land.

Mr. Jones then entered the meeting at 6:12 p.m.

REVIEW AND APPROVE FEASIBILITY STUDY FOR SERVICE TO 1.5-ACRE TRACT OWNED BY NEWQUEST

Mr. Peterson reminded the Board that Mr. Joel English of NAI Houston had attended the Board's January 18th meeting to discuss plans to purchase 1.5 acres of a seven (7) acre tract owned by NewQuest, located at the southwest corner of FM 2920 and T.C. Jester Boulevard. Mr. Peterson reported that NewQuest has since agreed to pay for the feasibility study to extend water and sanitary sewer service to the 1.5-acre tract (such lines will ultimately provide water and sanitary sewer service to the remainder of the seven (7) acre tract).

Director Marks then entered the meeting at 6:20 p.m.

Mr. Peterson next reviewed the feasibility study, a copy of which is attached hereto. Mr. Peterson stated that there is an existing 12-inch waterline along the west side of T.C. Jester Boulevard and adjacent to the east side of the seven (7) acre tract that will be extended along the north side of the property line along FM 2920. Mr. Peterson stated that the approximate length of the waterline extension is 950 linear feet. Mr. Peterson noted that the waterline will be constructed in a dedicated 10-foot waterline easement. Concerning sanitary sewer collection and treatment, Mr. Peterson reported that there is an existing eight (8) inch sanitary sewer line at the southeast corner of the seven (7) acre tract that will be extended along the eastern boundary of the seven (7) acre tract and then along the northern boundary of the seven (7) acre tract. Mr. Peterson noted that the sanitary sewer line will need to be constructed in a dedicated 15-foot sanitary sewer line easement. Mr. Peterson reported that the cost of the water and sanitary sewer utilities extension will be \$141,000. Mr. Peterson also noted that the proposed development on the 1.5-acre portion of the seven (7) acre tract will support itself at approximately 86.2% reimbursement.

Mr. Jones next addressed the Board and handed out a preliminary site plan of the 1.5-acre tract for the Board's review, a copy of which is attached hereto. Mr. Jones stated that he is an engineer working for NewQuest. Mr. Jones noted that the site plan is for a medical office/light commercial building. Mr. Jones stated that NewQuest wants to get the water and sanitary sewer line extensions constructed as soon as possible. Mr. Jones next stated that he would like to design the public utility extensions, as well as the onsite utilities. Ms. Bobbitt reported that Mr. Jones had been provided a copy of the District's form of Agreement for Financing of Facilities and reminded the Board that, historically, the Board has wanted the District's engineer to design the facilities/utilities to be installed within the District. The Board concurred that they prefer to have Jones & Carter do the design work. Mr. Jones asked Mr. Peterson to clarify that the \$17,000 amount for engineering includes engineering, design, topographic surveys, etc. Mr. Peterson responded that it does.

A discussion ensued regarding the preparation of the design plans and plan submittals to Harris County and the City of Houston (the "City"). Mr. Peterson noted that if the topographic surveys are available, it would take Jones & Carter 30 days to complete the design of the utilities. Mr. Jones stated that NewQuest would want to enter into an Agreement for Financing of Facilities with the District as soon as possible.

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 feasibility study, to authorize Jones & Carter to design the utilities, and to authorize Johnson Radcliffe to prepare the Agreement for Financing of Facilities.

DISCUSS PLANS FOR D R HORTON TO PURCHASE LOTS IN THE SANCTUARY

Ms. Orsak then addressed the Board and reported that a portion of The Sanctuary Bankruptcy Plan that was submitted to the bankruptcy court on March 7, 2011 is for D R Horton to purchase 30 lots from WB Sanctuary Development Partners, L.P. ("WB Sanctuary"). Ms. Orsak stated that D R Horton may be interested in cashing out all of the lots in the subdivision, depending on decisions to be made by the corporate people coming to Houston later this week. Ms. Orsak then informed the Board that D R Horton's product will be in the range of \$250,000 to \$300,000 and the project will remain a gated community. A discussion ensued regarding the terms of the Agreement for Financing of Facilities between the District and WB Sanctuary. Ms. Orsak implied that D R Horton will want to negotiate the terms or request a new Agreement for Financing of Facilities if they purchase the project.

Ms. Orsak stated that there is a bankruptcy hearing scheduled on April 27, 2011, and asked if there is flexibility in the Board's meeting schedule if D R Horton has to meet any court deadlines. Ms. Bobbitt responded that the Board frequently has special meetings and suggested that Ms. Orsak stay in touch.

Ms. Orsak thanked the Board and exited the meeting at 6:40 p.m.

REVIEW AND APPROVE AUDIT REPORT FOR THE FISCAL YEAR ENDED DECEMBER 31, 2010

Mr. Barfoot then distributed copies of the draft audit report for the fiscal year ended December 31, 2010 (the "Audit") to review with the Board, a copy of which is attached hereto. Mr. Barfoot reported that McCall Gibson has issued a clean audit opinion for the District. Mr. Barfoot noted that the District maintains a very healthy General Operating Fund. Mr. Short pointed out that a portion of the General Operating Fund is potentially earmarked for the Debt Service Fund. Mr. Barfoot then continued his review of the audit report.

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 approve the Audit, to authorize the President to execute the Annual Filing Affidavit, and to authorize the District's attorney to file the Audit and Affidavit with the appropriate governmental authorities.

AUTHORIZE EXECUTION OF ENGAGEMENT LETTER FROM McCALL GIBSON

Mr. Barfoot next distributed a copy of an engagement letter to prepare the audit report on Applying Agreed-Upon Procedures (the "AUP") to Construction, Engineering and Related Cost Reimbursements in connection with the District's Eleventh Bond Issue, a copy of which is attached hereto. Mr. Barfoot stated that the estimated cost for preparing the AUP will be in the range of \$10,000 to \$15,000,

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 approve the engagement letter and authorize execution of same.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Ms. Hall reported that 96.2% of the District's 2010 taxes have been collected to date.

Ms. Hall next reported that the following taxpayers had requested installment payment plans for their 2010 taxes: Jesus and Bertha V. Martinez, residents of 5002 Riverbridge Court; Susan Huechtker, a resident of 21010 Roydencrest; Jack S. Velasquez, a resident of 4806 Bridgemont; and Debra A. Stovall, a resident of 21930 Catoosa Drive. Copies of the requests are attached hereto.

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, to authorize payment of the checks reflected therein, and to approve the four (4) requests for installment payment plans for 2010 delinquent taxes.

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. 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 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 next reported that she had received a check in the amount of \$46,958.26 from the City for the District's share of the March sales tax revenue in connection with the District's Strategic Partnership Agreement with the City.

Ms. Jarmon also reported receipt of \$11,310 in tap fees during the prior month.

Director Steffes then noted that several of the refund checks are made payable to Yvonna Chavez and Marla McNeilly, and asked Ms. Jarmon to double check that these are not duplicate refunds. Ms. Jarmon explained that quite often, the refund checks are made out to a person with multiple investment properties or an employee of a corporation with investment properties.

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.

UPDATE ON STATUS OF BOND APPLICATION REPORT NO. 11 ("BAR NO. 11")

Ms. Bobbitt reported that she had received the Texas Commission on Environmental Quality's (the "TCEQ") consent letter approving the District's BAR No. 11 and approving the issuance of \$8,255,000 and, after discussion of same with Jones & Carter, had returned the consent on April 6, 2011. Ms. Bobbitt reported that the TCEQ had withheld approximately \$53,000 in developer reimbursements. A copy of the TCEQ consent letter and draft Order is attached hereto.

Mr. Short then discussed plans for the sale and issuance of the District's \$8,255,000 Series 2011 Bonds. Mr. Short noted that the bond market is presently healthy and recommended that the District move ahead with plans to market the Bonds on June 21, 2011.

Ms. Hall then exited the meeting at 7:15 p.m.

Mr. Short reported that an estimate of assessed value, as of April 1, 2011, had been requested from the Harris County Appraisal District. Mr. Short stated that Standard & Poors has a positive outlook on the Houston and Texas bond market. Mr. Short noted that the Board can expect a difference of 20 to 30 basis points compared to the District's refunding bonds issued in December 2010. Director Steffes then asked if the national negative outlook on the bond market might impact the District's bond issue. Mr. Short responded that it is possible, but reiterated that Standard & Poors has a positive outlook for Texas. Mr. Short further stated that if the market turns suddenly, the Board can withdraw the notice of sale.

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 authorize Mr. Short and Johnson Radcliffe to prepare the Preliminary Official Statement for the Board's approval at the May meeting.

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.

Concerning the District's water quality issues, Mr. Conner reported that the addition of ortho-phosphates to the surface water has been effective in counteracting the low alkalinity in the surface water.

Mr. Conner noted that the MicroBlaze bioaugmentation process in the sanitary sewer system had significantly reduced the odor and grease build-up problems throughout the District's sewer collection system with the exception of the problems with odor at the Wastewater Treatment Plant (the "WWTP") and the lift station on Kuykendahl Road. Mr. Conner, therefore,

recommended the use of magnesium sulfate (Thioguard) to control the odor at WWTP and lift station for a trial period.

Mr. Conner next reported that the cost for an annual Environmental Protection Act drinking water analysis of the surface water received from the North Harris County Regional Authority (the "NHCRWA") is \$4,000. Mr. Conner noted that the cost to perform a partial analysis will be determined after the full annual analysis has been performed. 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 General Manager's Report and to proceed with having the full drinking water analysis of the surface water performed.

REVIEW AND DISCUSS RECOMMENDATION FROM AMERICAN ENERPOWER FOR ENTERING INTO A NEW CONTRACT WITH A RETAIL ENERGY PROVIDER

Mr. Conner then reported that he and Mr. Mike Harrington of American Enerpower, the District's energy broker, have been working on acquiring a new contract for electricity. Mr. Conner reported that Mr. Harrington has recommended entering into a four (4) year contract with Gexa Energy at a price of \$0.0646 per kilowatt hour ("kWh"). Mr. Conner noted that the District's current contract with GDF Suez Energy Resources is at a price of \$0.0851 per kWh and expires at the end of December. Mr. Conner noted that the contract with Gexa Energy will be effective at the end of December. A copy of Mr. Harrington's email concerning the Gexa Energy price is attached hereto. 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 entering into a four (4) year contract with Gexa Energy.

CONSIDER IMPLEMENTING A HOMEOWNER ASSOCIATIONS/NON-PROFIT ORGANIZATIONS IRRIGATION RATE AND ADOPT AMENDED RATE ORDER

Mr. Rowe reported that he had reviewed irrigation rates in nine (9) districts and had prepared a Water-Irrigation Rate Comparison for the Board's review, a copy of which is attached hereto. Mr. Rowe stated that he had assumed an average monthly consumption of 59,000 gallons in the rate comparison. Mr. Rowe then recommended that the Board approve a price structure as follows: up to 50,000 gallons of water usage at a minimum of \$50; all over 50,000 gallons of water usage at a cost of \$1.00 per 1,000 gallons, plus the NHCRWA Fee of \$2.30 per 1,000 gallons of water usage. Director Marks stated that he thought the intent was to implement a lower irrigation rate for homeowners associations and non-profit organizations, because they beautify the neighborhood. A discussion ensued. Upon motion by Director Schkade, seconded by Director Marks, after full discussion and the question being put to the Board, the Board voted by a vote of four (4) to zero (0), with Director Warren abstaining, to implement the following irrigation rates for homeowners associations and non-profit organizations: up to 50,000 gallons of water usage at a minimum of \$25, all over 50,000 gallons of water usage at \$1.00 per 1,000 gallons of water usage, plus a NHCRWA Fee of \$2.30 per 1,000 gallons of water usage, and to adopt an Amended Rate Order reflecting this new customer category. A copy of the Amended Rate Order is attached hereto.

DIRECTOR'S INSPECTION REPORT

Director Schkade then reported that he had inspected the District's facilities on April 19th with Mr. Staab. A copy of Director Schkade's report is attached hereto. Director Schkade reported that the WWTP, Water Plant Nos. 1 and 3 and Lift Station Nos. 3 and 7 are fine. Director Schkade recommended painting the control room and piping at Water Plant No. 2. Director Schkade noted that Storm Water Solutions still needs to repair the gate at Lift Station No. 4. Concerning the elevated storage tank (the "EST") site, Director Schkade reported that the brush and debris pile on the adjacent Lederer tract is getting bigger and, with the dry weather, should be considered a fire hazard. Director Schkade reported that the District's surveillance cameras have been set to try to catch whoever is dumping the debris.

Mr. Short then exited the meeting at 7:49 p.m.

OPERATOR'S REPORT

Mr. Rowe next presented the Operator's Report for the month of March to the Board, a copy of which is attached hereto. Mr. Rowe reported that the water accountability for the month was 89.4%, with a four (4) month average of 95.8%, and that the District currently has 5,482 active connections.

Mr. Rowe reported that WDM has not yet prepared the District's five (5) year water loss audit report, and stated that he will submit a copy to Jones & Carter and Mr. Conner to review.

Mr. Staab reported that the work on the gate at Lift Station No. 6 is nearly completed.

Mr. Staab also reported that the TCEQ will inspect the WWTP next week.

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

REVIEW AND DISCUSS THE RESPONSE LETTER TO THE NHCRWA REGARDING THE UTILIZATION OF SURFACE WATER

Mr. Peterson next reviewed two (2) draft letters to the NHCRWA: 1) a response to the NHCRWA's letter dated March 1, 2011, concerning surface water usage over the 2010-2011 Aggregated Water Well Permit period; and 2) concerning issues with the performance of the NHCRWA's booster pump station at the District's EST. Mr. Conner reported that at present, the NHCRWA is limited on the amount of surface water they can provide to the District because of the increased demand brought on by drought conditions. Mr. Conner noted that the District has been using its water wells at Water Plant No. 2. Mr. Conner further noted that hydrogen sulfide had accumulated in the water wells over the time that they were shut down, which resulted in several water odor complaints. Director Steffes stated that WDM should be exercising the water wells routinely. Mr. Conner responded that WDM is exercising the water well, but noted that the

EST must be turned off in order to use the water wells. Mr. Conner stated that it is a significant balancing act.

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 two (2) letters to the NHCRWA.

ENGINEER'S REPORT

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

Mr. Peterson reported that Jones & Carter had determined that the District need a 210-foot wide easement, instead of a 220-foot wide drainage easement, across the Schindewolf, Jurischk and Manis properties for the improvements to the Lower Bonds Gully drainage channel. Director Marks commented that the District should purchase the 220-foot wide drainage easement anyway.

VILLAGES OF SENTERRA LAKES ("VOSL") LAND PLAN

Mr. Hudson then interrupted the Engineer's Report to report that an updated plan for VOSL, a copy of which is attached hereto, had been submitted to the City for VOSL, Section 2 (the gated community). Mr. Hudson asked that an item be placed on the May meeting agenda to discuss plans for development of VOSL.

Director Marks again inquired about purchasing the 220-foot wide easement. Ms. Bobbitt stated that the matters pertaining to real property acquisition and litigation will be discussed in an executive session at the end of the meeting.

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

REVIEW, APPROVE AND AUTHORIZE EXECUTION OF LETTER OF INTENT, AGREEMENTS FOR FINANCING OF FACILITIES AND COST SHARING AGREEMENT IN CONNECTION WITH PROPOSED DEVELOPMENT OF 3.0413-ACRE CASTLEWOOD DEVELOPMENT INC ("CASTLEWOOD") TRACT AND 1.7803-ACRE KM - TS PARTNERS, L.L.C. ("KM-TS") TRACT

Ms. Bobbitt reminded the Board that the Castlewood and KM – TS tracts located on FM 2920 west of Kuykendahl Road are adjacent to each other, and that the developers are interested in sharing costs for the extension of water and sanitary sewer lines to service both tracts. Ms. Bobbitt reported that she and representatives of Jones & Carter had met with Mr. George Rochester of Castlewood and Mr. Randy Keith of KM – TS on March 17th to discuss plans for the extension of the public utilities. Ms. Bobbitt noted that the developers had agreed to execute a Letter of Intent, Agreements for Financing of Facilities and a Cost Sharing Agreement. Ms. Bobbitt stated that the Letter of Intent had been prepared for the Board's approval at tonight's meeting, a copy of which is attached hereto. 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 Letter of Intent.

REVIEW AND APPROVE ARBITRAGE REBATE AND YIELD RESTRICTION COMPLIANCE REPORT PREPARED BY ARBITRAGE COMPLIANCE SPECIALISTS, INC ("ACS")

Ms. Bobbitt reported that ACS had completed the District's annual Arbitrate Rebate and Yield Restriction Report and had submitted an engagement letter to include the District's \$4,360,000 Series 2010 Refunding Bonds in the ACS compliance program and an engagement letter to prepare the five (5) year Internal Revenue Service computation report for the District's \$8,100,000 Series 2007 Bonds. The Board asked that the matter be deferred until the May meeting.

ATTORNEY'S REPORT

Ms. Bobbitt then noted that she wants to take the Board into executive session to discuss two (2) items as follows: 1) a letter from Ms. M. Susan Rice, P.C., an attorney representing Bridgestone Lakes Community Association, Inc. that threatened litigation; and 2) the offer letters for the acquisition of the Lower Bonds Gully drainage easement tracts.

EXECUTIVE SESSION

Director Steffes then adjourned the regular meeting at 8:25 p.m. and announced that the Board would convene in executive session pursuant to Section 551.071(1)(A), Texas Government Code, as amended, to discuss pending or contemplated litigation and Section 551.072, Texas Government Code, as amended, to deliberate about real property. The persons present in the executive session were: Directors Steffes, Marks, Theiss, Schkade and Warren; Mr. Conner; Mr. Peterson; Mr. Lee; Ms. Bobbitt; and Ms. Dold.

RECONVENE IN OPEN SESSION

Director Steffes then reconvened the meeting in open session at 8:46 p.m., at which time the Board took the following actions. 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 Johnson Radcliffe, Jones & Carter and Mr. Conner to arrange a meeting with Ms. Rice to discuss the concerns of the Bridgestone Lakes Community Association, Inc. regarding the maintenance of the Bridgestone Lakes, Section 1 detention pond. Upon motion by Director Warren, seconded by Director Marks, after full discussion and the question being put to the Board, the Board authorized the transmittal of offer letters to the owners of the Schindewolf, Jurischk and Manis tracts for the acquisition of 220-foot wide drainage easements.

MISCELLANEOUS MATTERS

Ms. Bobbitt then reported that Johnson Radcliffe has been tracking various areas of concern during the 82nd Legislative Session, one of which is Representative Debbie Riddle's

House Bill 3555, which would require water districts to subsidize the cost of water, sanitary sewer and drainage facilities to serve school districts. Ms. Bobbitt presented a letter for the Board's review to Representative Riddle opposing House Bill 3555 for the Board's approval, a copy of which is attached hereto. 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 letter and authorize its execution.

Director Steffes stated that the next regular meeting of the Board is scheduled for Tuesday, May 17, 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 17th day of May, 2011.


Secretary, Board of Directors

(DISTRICT SEAL)

