

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

March 15, 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, March 15, 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; 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. David Rowe of Water District Management Company, Inc. ("WDM"), operators for the District; Mr. David Aguilar of Republic Services, Inc., garbage collection service provider 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; Mr. Tim Early of K. Hovnanian Homes, an investor in the Bridgestone Lakes, Section 4 subdivision and a developer in the Gosling Pines subdivision; and 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.

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 then stated that the report was reflective of one of the best months ever experienced in the District, with only five (5) calls reported during the prior month.

Lieutenant Glaze then reported that Harris County (the "County") is making a significant budget cut and, as a result, the Harris County Precinct 4 Constable's office is cutting a Sergeant position from the District's contract, which will leave Lieutenant Glaze and six (6) deputies working the District. Lieutenant Glaze further reported that Constable Ron Hickman has agreed to assign a district support unit to the District at no additional cost to the District. Director Steffes then noted that the District will continue to have a 70/30 contract with the County, and that the District will lose one (1) deputy, who will perform administrative tasks for the Constable's office, and that the Constable's office will assign a County support unit to the District at no additional cost. Director Steffes stated that he does not understand how the County determined that cutting deputies from district contracts was going to save County funds when the action appears to significantly cut revenue. Lieutenant Glaze stated that the budget for the Constable's office has been cut approximately 18%. Director Warren inquired how much the County Sheriff's office budget was cut. Lieutenant Glaze responded that the County Sheriff's department received a four percent (4%) increase, but that such amount will not cover their budget. Director Warren stated that he is going to complain to County Judge Ed Emmett and Mr. Dick Raycraft, director of County management services concerning the Constable budget cuts.

Lieutenant Glaze stated that the bicycle patrol program that had previously been approved by the Board has been put on hold for the time being until things sort out concerning the Constable personnel changes.

Director Marks then noted that the District pays County taxes, yet the Sheriff's department often responds to calls. Lieutenant Glaze responded that, in an area where a Constable contract is in place, the Constable's office receives the call, but the area may have both the Constable personnel and the Sheriff personnel show up at the scene. Lieutenant Glaze noted that there are only two (2) Sheriff department units assigned in the area of the District. Director Warren asked whether the Sheriff department has a large number of utility district security contracts. Lieutenant Glaze responded that they still have some contracts, but that the numbers are dwindling. Director Steffes then asked why the District has not heard from Constable Hickman regarding the proposed changes to the District's law enforcement contract. Lieutenant Glaze stated that Constable Hickman is conducting a staff meeting tonight and indicated that as many as 50 deputies may lose their jobs. Director Steffes then stated that the District has worked very hard with Precinct 4, and had just recently executed a new Interlocal Agreement for Law Enforcement Services with the County, only to learn that the County will now not honor the terms of the contract. Director Steffes further noted that the County could lose the District's \$500,000 security service contract. Director Steffes added that the District should have at least received a letter regarding the proposed changes from Constable Hickman. Further discussion then ensued regarding the District's security service contract with the County. The Board

concluded that the County should perform under the existing contract provisions or break the contract and lose the District's contract revenue. Director Steffes then directed Lieutenant Glaze to ask Constable Hickman to attend the Board's April 19th meeting.

Lieutenant Glaze then exited the meeting at 6:35 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. Ms. Bobbitt stated that the minutes of the special meeting of March 1, 2011 had not yet been finalized for approval.

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 following Consent Agenda items: 1) approval of the minutes of the special meeting of February 8, 2011 and the minutes of the regular meeting of February 15, 2011, as written; and 2) approval of the following pay estimates: a) Pay Estimate No. 3 in the amount of \$92,714.97 from Lonnie Lischka Company, L.P. in connection with the construction of the Upper Seals Gully Detention System Improvements; and b) Pay Estimate No. 20 and Final in the amount of \$20,000 from LEM Construction in connection with the Wastewater Treatment Plant expansion (the "WWTP").

REGULAR AGENDA

REVIEW AND APPROVE FEASIBILITY STUDY FOR SERVICE TO 1.5-ACRE TRACT OWNED BY NEWQUEST PROPERTIES ("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 Jones & Carter had received a \$3,000 feasibility deposit from NewQuest on March 7, 2011, and will proceed with preparation of a feasibility study for the Board's review at the April 19th meeting.

UPDATE ON STATUS OF PROPOSED DEVELOPMENT OF 3.0413-ACRE TRACT OWNED BY CASTLEWOOD DEVELOPMENT, INC. ("CASTLEWOOD"). AUTHORIZE PREPARATION OF AN AGREEMENT FOR FINANCING OF FACILITIES AND COST SHARING AGREEMENT, AND AUTHORIZE ENGINEERS TO PROCEED WITH DESIGN FOR EXTENSION OF PUBLIC UTILITIES

Mr. Peterson reminded the Board that Messrs. Chris and Chad Rochester of Castlewood had attended the Board's November 16, 2010 meeting to request water and sewer service to the commercial tract located on FM 2920, west of the National Tire and Battery store and across the street from the Firestone store. Mr. Peterson noted that the Castlewood tract is adjacent to the

1.7803-acre tract owned by KM – TS Partners, L.L.C. Mr. Peterson explained that the two (2) owners want to share the cost of extending water and sewer facilities to serve both tracts. Mr. Peterson stated that he has scheduled a meeting on March 17th to discuss the project with representatives of the two (2) entities. Mr. Peterson noted that Ms. Bobbitt will attend the meeting to review and discuss the District's form of Agreement for Financing of Facilities and a proposed Cost Sharing Agreement for the utility extensions. 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 authorize preparation of Agreements for Financing of Facilities and a Cost Sharing Agreement, and to authorize Jones & Carter to proceed with the design for the extension of the public utilities to serve the two (2) tracts.

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 February, a copy of which is attached hereto. Ms. Hall reported that 94.6% of the District's 2010 taxes have been collected to date.

Ms. Hall next noted that there are a large number of refund checks being presented at tonight's meeting as a result of the Harris County Appraisal District ("HCAD") cleaning up the tax rolls.

Ms. Hall then reviewed the Delinquent Tax Attorney's Report with the Board, a copy of which is attached hereto. Ms. Hall noted that HCAD is confirming the over 65 tax deferral for Ms. Virginia Enlow's primary residence. Director Warren then asked how long it will take before the Supreme Builders, Ltd. delinquent accounts are paid (Section II, item no. 1 of the report). Ms. Bobbitt responded that it will likely take awhile to get the delinquent accounts cleaned up. Concerning Section II, item no. 3 of the report, Director Warren asked how long Ms. Delacerda has to pay her delinquent taxes. Director Warren then asked where Mico, Texas is in connection with Section III, item no. 3 of the report.

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 Tax Assessor/Collector's Report, 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 next reported that she had received a check in the amount of \$86,491.94 from the City of Houston (the "City") for the District's share of the December sales tax revenue in connection with the District's Strategic Partnership Agreement with the City.

Ms. Jarmon also reported receipt of \$10,440 in tap fees during the prior month.

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 water valve survey of the District's water system is still in process.

Mr. Conner next reported that the MicroBlaze bioaugmentation process has significantly reduced the odor and grease build-up problems throughout the District's sewer collection system. Mr. Conner noted, however, that when the dewatering was done at the WWTP last week, odor problems returned at the WWTP. Mr. Conner went on to explain that he has asked a company with an odor analyzer to work on identifying the cause/location of the problem. Mr. Conner suggested that the Board wait until the odor analysis is complete and then determine whether to continue with the MicroBlaze treatments or test another product. Director Marks reported that the Lift Station near the school had a strong odor two (2) weeks ago.

Ms. Hall and Mr. Aguilar then exited the meeting at 7:05 p.m.

Director Warren then asked about the letter dated March 1, 2011 from the North Harris County Regional Water Authority (the "NCHRWA") regarding the 2010-2011 Aggregated Water Well Permit Period, a copy of which is attached hereto. Mr. Conner responded that he and Mr. Rowe are preparing a timeline of events in order to submit a response letter to the NCHRWA. Mr. Conner further reported that Mr. Danny Staab of WDM has been tracking the District's water quality issues since the District converted to surface water in August, 2010. Mr. Conner noted that in order for the District to take its full share of surface water from the NCHRWA, the District will need to take surface water through Water Plant No. 3 ("WP No. 3"), and that the necessary steps are being taken in order for surface water to be received both at the Elevated Storage Tank (the "EST") and WP No. 3. Mr. Conner noted that he has asked Mr. Carlton McDevitt of Severn Trent Environmental Services, Inc., operators for the NCHRWA, to take the necessary steps in order to provide surface water to WP No. 3.

Mr. Conner then reported that many converted districts have introduced ortho-phosphates to their water systems. Directors Warren and Marks stated that they viewed the last sentence of the NCHRWA letter as a threat. Director Marks then expressed how bad the quality of his water at his home has been since the District began taking surface water. Director Marks stated that if the NCHRWA continues to threaten the District, the Board should hire someone to represent the

District against the NHCRWA. Director Steffes then reported that the water at his home has a shelf life of approximately one (1) day and then develops a bad odor and color. Mr. Conner stated that he and WDM only receive a few water quality complaints each month, and that the water quality problems greatly vary throughout the District. Further discussion then ensued regarding the cost of surface water and the poor quality of the surface water being received from the NHCRWA.

Ms. Bobbitt then explained that the NHCRWA letter was sent to all 60 of the districts that are within the NHCRWA's 2010 surface water conversion area. Ms. Bobbitt noted that it is the Harris-Galveston Subsidence District (the "HGSD"), not the NHCRWA, that will impose the disincentive fees if the NHCRWA fails to meet the HGSD's 2010 conversion requirement. Ms. Bobbitt further explained that the districts that have made an effort to comply with the conversion to surface water and take their share of surface water are not the districts that will be held accountable. Ms. Bobbitt reported that the NHCRWA letters were a form letter with only the percentages of water used by each district varying in each letter.

Mr. Conner then resumed his General Manager's Report, noting that all of the construction inspection projects in the District involving Project Surveillance, Inc. ("Project Surveillance") have been completed. Mr. Conner stated that the District's contract with Project Surveillance does not require a cost to maintain its contract over the next 60 to 70 days while the District does not have any construction projects in process. Mr. Conner noted that the next projects that will require inspection services will be The Sanctuary detention pond and the Lower Bonds Gully project.

Mr. Conner next reported that WDM continues to respond to several water quality complaints in the District each month. Mr. Conner added that WDM had performed a directional flushing last Friday and released a great deal of dirty water from the District's water system. Mr. Conner noted that WDM is working with an elderly lady in the District to alleviate her water quality problems. Director Warren asked where the lady lives. Mr. Conner responded that she lives near Director Marks. Director Marks then commented that two (2) homes near him have experienced pinhole leaks in the galvanized pipes inside the homes.

Director Marks then asked why the large box culverts under FM 2920 behind Lowe's had been blocked. Mr. Peterson responded that the County required this for storm water quality purposes. Mr. Peterson further explained stated that the storm water will still come up and over into the box culverts. Director Marks commented that the requirement by the County seems senseless.

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 Schkade then reported that he had inspected the District's facilities on March 12th with Mr. Rowe. Director Schkade reported that the WWTP and Lift Station Nos. 2, 3 and 7 looked good during the inspection. Director Schkade further reported that the EST gate

brackets on the control building need tightening. Director Schkade added that there is a broken concrete circle pad at Lift Station No. 5 that needs repair. Director Schkade next reported that the automatic gate also needs repair at Lift Station No. 6. Director Schkade noted that teenagers are messing around Lift Station No. 4 and can open the southwest gate without unlocking it.

Concerning Lift Station No. 7, Mr. Hudson noted that Chesmar Homes will clean up and landscape the lift station, but that they will require an electrical outlet and irrigation connection for sprinklers. Ms. Bobbitt stated that the District's Rate Order does not currently have a "public space user" rate and, therefore, the District's commercial rate for water would be utilized. Mr. Conner stated that he and Mr. Rowe will look into the matter.

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 Director's Inspection Report.

OPERATOR'S REPORT

Mr. Rowe next presented the Operator's Report for the month of February to the Board, a copy of which is attached hereto. Mr. Rowe reported that the water accountability for the month was 97.0%, with a four (4) month average of 96.8%, and that the District currently has 5,471 active connections.

Mr. Rowe reported that WDM has prepared the District's Association of Water Board Directors-Texas (the "AWBD") Water Smart application for the Board's approval. Mr. Rowe noted that the AWBD will require a copy of tonight's meeting minutes to complete the application. 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 the Board voted unanimously to approve the application, authorize execution of the application, and authorize WDM to submit the application to the AWBD on behalf of the District. A copy of the application will be included in the District's records.

Mr. Rowe next reported that WDM will forward copies of the five (5) year water loss audit report to Mr. Conner and Jones & Carter to review prior to filing it with the Texas Water Development Board prior to March 31, 2011.

Mr. Rowe then noted that the Texas Commission on Environmental Quality's recent inspection of WP No. 3 was excellent.

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 UTILITY EASEMENT ENCROACHMENT AT 4519 STALLION BROOK LANE

Mr. Peterson next reported that, at the request of Mr. Conner, Jones & Carter had performed a lot survey of 4519 Stallion Brook Lane to determine if a recently constructed covered patio addition to the home encroaches on the District's existing 16-foot utility easement. Mr. Peterson noted that the concrete slab is built out over the utility easement, but that it does not encroach upon the District's sanitary sewer line. Mr. Peterson stated that there is enough space for a crew to work if the District's sanitary sewer line requires repairs.

STATUS OF ACQUISITION OF LOWER BONDS GULLY DRAINAGE EASEMENTS

Mr. Conner next reported that Rights of Entry were obtained from the three (3) land owners in connection with the proposed Lower Bonds Gully project, and that the surveyors are in the process of surveying the drainage acquisition tracts. Mr. Conner further reported that he, Mr. Polley, Mr. Peterson and Mr. Lee had met with Mr. Jimmie Schindewolf, the owner of one (1) of the tracts along Lower Bonds Gully, on March 11, 2011, to discuss the terms for the acquisition of a drainage easement from Mr. Schindewolf. Mr. Conner stated that the meeting went very well, noting that Mr. Schindewolf's requests were in line with his previous requests in 2007. Mr. Conner noted that Mr. Schindewolf, as well as the owners of the other two (2) tracts, want an eight (8) foot fence constructed on the south side of the properties in order to obscure the view of the gully improvements. Mr. Conner then noted that Mr. Schindewolf had previously asked that any surplus detention capacity remaining in the drainage ditch along his land be reserved for the future development of his land. Mr. Conner reported that this prior request may become an issue because the U. S. Army Corps of Engineers is now requiring that the District mitigate a certain amount of detention capacity flowing through the drainage ditch, which may mean that there is no extra capacity available. Mr. Conner stated that Jones & Carter is in the process of reviewing the capacity requirements and waiting for a response from the County. Mr. Peterson indicated that it would not take too long for Jones & Carter to determine if extra detention capacity in Lower Bonds Gully will be available. Mr. Peterson reminded the Board that the proposed width of the ditch is 220 feet in order to comply with the requirements of the Harris County Flood Control District and to provide adequate drainage capacity for the District. Mr. Peterson then surmised that there will be adequate drainage capacity for Mr. Schindewolf's tract.

Director Marks then asked when the Board will finalize the route of the Lower Bonds Gully project. Mr. Peterson responded that the route has already been determined based on the acquisition of the drainage easement from Mr. Schindewolf.

Ms. Bobbitt, Ms. Jarmon and Ms. Dold then exited the meeting at 8:15 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 reported that Jones & Carter had received a \$3,500 cost estimate from Cummins Southern Plains, LLC to extend the existing two (2) year warranty on the WWTP emergency generator to five (5) years (expiring on March 17, 2015). 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 extension of the warranty on the WWTP emergency generator from two (2) years to five (5) years. Mr. Lee noted that Jones & Carter will get the necessary paperwork for the warranty extension completed.

Concerning The Sanctuary detention pond project, Mr. Peterson reported that Jones & Carter had received the U. S. Army Corps of Engineers permit for the project, and will submit the drawings to the County for approval within the next two (2) weeks.

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.

DISCUSS SCHEDULING OF MEETING TO REVIEW/DISCUSS PROCEDURES FOR REVIEW OF CONSULTANTS' CONTRACTS

The Board then asked Mr. Conner to choose two (2) meetings per year for the Board to review/discuss the consultants' contracts and to notify the Board and consultants regarding same.

REVIEW AND DISCUSS PROPOSALS FROM AMERICAN ENERPOWER AND ACCLAIM ENERGY ADVISORS

Mr. Conner then asked Director Steffes to return to item no. 7 on the Regular Agenda. Mr. Conner reminded the Board that representatives of American Enerpower and Acclaim Energy Advisors had attended the March 1, 2011 special meeting to discuss their services and the benefits of the District locking into better energy rates. A discussion on this matter then ensued. 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 American Enerpower as the District's energy broker and to authorize Mr. Michael Harrington to solicit bids from retail energy providers.

MISCELLANEOUS MATTERS

Director Steffes stated that the next regular meeting of the Board is scheduled for Tuesday, April 19, 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 19th day of April, 2011.

Linda Hein
Secretary, Board of Directors

