

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

November 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, November 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; 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. Tim Early of K. Hovnanian Homes, an investor in the Bridgestone Lakes, Section 4 subdivision and a developer in the Gosling Pines subdivision; 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. Robert Daigle, land development project manager for D.R. Horton Homes, builders in The Sanctuary Veritas subdivision within the District; Mr. Noel Barfoot of McCall Gibson Swedlund Barfoot, PLLC ("McCall Gibson"), auditors for 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.

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. Polley noted that the minutes of the special meetings of May 24, 2011 and August 2, 2011 had not yet been finalized.

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 approve the following Consent Agenda items: 1) approval of the minutes of the regular meeting of October 18, 2011, as written, 2) authorize payment of Pay Estimate No. 1 from Lindsey Construction, Inc., in the amount of \$191,366.55 in connection with construction of the Regional Detention to serve The Sanctuary Veritas; 3) authorize renewal of the Interlocal Agreement for Law Enforcement Services with Harris County; and 4) authorize execution of the Dedication of Flood Control and Drainage Easement (Lower Bonds Gully), a copy of which is attached hereto.

REGULAR AGENDA

CONSIDER REQUEST FROM KUYKENDAHL INVESTOR GROUP (THE "KIG") FOR CAPACITY TO SERVE A 1.455-ACRE TRACT LOCATED ON KUYKENDAHL ROAD

Mr. Lee reported that Mr. Avery Murrah had contacted him on behalf of the KIG regarding the availability of water and sewer service for the commercial tract located on the east side of Kuykendahl Road. Mr. Lee added that Jones & Carter will need to prepare a feasibility study on the 1.455-acre tract of land to determine if service to the tract is feasible. Ms. Dold explained that an Application for Water and Sewer Service and a \$3,000 feasibility deposit had already been received from KIG. 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 authorize Jones & Carter to prepare the feasibility study on the KIG 1.455-acre tract of land.

ENGAGE AUDITORS TO PREPARE DISTRICT'S AUDIT REPORT FOR FISCAL YEAR ENDING DECEMBER 31, 2011

Mr. Barfoot then distributed and reviewed with the Board a copy of McCall Gibson's engagement letter for preparing the District's annual audit report for the fiscal year ending December 31, 2011, a copy of which is attached hereto. Mr. Barfoot noted that the fee estimate for preparation of the audit report is between \$18,500 and \$21,500 (the 2010 audit fee was \$20,500). Mr. Barfoot also reviewed and explained the Statement on Auditing Standards No. 99 fraud letter, a copy of which is attached hereto.

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 engage McCall Gibson to prepare the District's annual audit report for the fiscal year ending December 31, 2011 and to authorize execution of the engagement letter.

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of October, a copy of which is attached hereto. Ms. Hall reported that 99.3% of the District's 2010 taxes have been collected to date. Ms. Hall noted that the District's updated 2011 certified valuation is \$823 million, which is approximately \$2 million less than last year.

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 Tax Assessor/Collector's Report and to authorize payment of the checks reflected therein.

Lieutenant Glaze then entered the meeting at 6:15 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 not been many major problems in the District during the prior month other than the typical shoplifting activity. Lieutenant Glaze stated that he anticipates an escalation of crime over the holiday season.

Director Warren stated that he likes the new bike patrols that have been initiated in the District. Director Steffes reported observing a child stealing coupon supplements out of newspapers.

Lieutenant Glaze then exited the meeting at 6:30 p.m.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Ms. Hall reported that account no. 1 under Section II of the Report had been tagged for termination today for failing to make their first installment payment on their delinquent tax account.

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 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, the 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 explained that the District had received a check from Amegy Bank in the amount of \$157,891.41 for misapplied funds in connection with the District's August payment to the North Harris County Regional Water Authority (the "NHCRWA") for August water costs and pumpage fees. Ms. Jarmon noted that she contacted Ms. Cyndi Plunkett, financial assistant for the NHCRWA and reissued check no. 13261 in the amount of \$157,891.41 to the NHCRWA.

Ms. Jarmon further reported receipt of \$19,800.00 in tap fees during the prior month.

Ms. Jarmon next reviewed a draft of the District's proposed budget for the fiscal year ending December 31, 2011, a copy of which is attached to the Bookkeeper's Report.

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.

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 reported that he will schedule a special Board meeting in early December to review recommendations from Jones & Carter for sanitary sewer odor abatement treatment.

Director Marks then asked Mr. Conner if the Board was ever going to proceed with the review and revision of consultant contracts. Director Marks stated that the matter appears to be going nowhere and further stated that it was Mr. Conner's responsibility as the District's General Manager. Mr. Conner responded that he had done everything that Director Marks and the Board had directed him to do. Mr. Conner reminded the Board that he and Director Marks met with Ms. Bobbitt in July to determine the best way to resolve and handle the inconsistencies/discrepancies in the various contracts with the District's consultants. Mr. Conner stated that he had discussed with the consultants the Board's request to review/discuss one (1) consultant per month, along with a presentation by the consultant. Director Steffes then stated that he thought the Board had agreed that consultant contracts would be reviewed in March and September of each year. Director Theiss then stated that she thought the goal was to standardize the consultants' contracts. Mr. Conner responded that Ms. Bobbitt had provided a memo on the matter several months ago and had explained that each consultant provides its own unique service to the District and each consultant firm has its own policies, procedures, liability issues and requirements for their respective form of contract and as a result, it is extremely difficult for all of the consultant contracts to be exactly the same. Mr. Conner noted that Ms. Bobbitt had suggested the use of a consultant contract addendum to make the term renewal provisions and fee increase provisions.

Further lengthy discussion then ensued regarding how the Board wanted to proceed with the consultant contracts. Director Steffes suggested that the Board further discuss the matter at a future special meeting. Mr. Polley asked whether the Board was expecting the consultants to

prepare anything for the next Board meeting. Director Steffes responded that the consultants were not expected to prepare anything for the next meeting.

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 General Manager's Report.

DIRECTOR'S INSPECTION REPORT

Director Warren then reported that he had inspected the District's facilities with Mr. Staab on November 14, 2011, and presented the District's Inspection Report, a copy of which is attached hereto. Director Warren reported that Lift Station No. 4 in Gosling Pines needs an automatic rolling gate. Director Warren stated that he has asked Mr. Staab to get a cost estimate for such gate.

Mr. Hudson next inquired if the Board would be willing to landscape around Lift Station No. 7. Director Steffes stated that the Board should consider doing landscaping at all of the lift stations in the District.

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 Director's Inspection Report and authorize Mr. Staab to obtain a cost estimate for the installation of an automatic rolling gate at Lift Station No. 4.

OPERATOR'S REPORT

Mr. Rowe then presented the Operator's Report for the month of October to the Board, a copy of which is attached hereto. Mr. Rowe reported that the District's water accountability for the month was 92.4%, with a four (4) month average of 93.8%, and that the District currently has 5,566 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.

ENGINEER'S REPORT

Mr. Peterson stated that no changes had been made to the Engineer's Report since it was distributed last week, a copy of which is attached hereto.

Mr. Peterson then noted that a lot of dirt is being moved in connection with the construction of The Sanctuary Veritas detention pond (the "Sanctuary Pond Project").

Director Warren then asked when the Lower Bonds Gully project will be started. Mr. Peterson responded that Jones & Carter will advertise for bids for such project early in 2012.

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

Mr. Hudson then exited the meeting at 7:15 p.m.

AUTHORIZE SUBMISSION OF ANNUAL GROUNDWATER PUMPAGE REPORT AND ESTIMATE OF WATER USE FOR NEXT PERMIT YEAR TO NHCRWA

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 WDM to prepare and submit the Annual Groundwater Report to the NHCRWA.

ADOPT RESOLUTION AUTHORIZING APPLICATION TO THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY (THE "TCEQ") FOR THE RELEASE OF ESCROWED FUNDS FOR THE UPPER SEALS GULLY PROJECT AND THE USE OF SURPLUS FUNDS FOR THE SANCTUARY VERITAS DETENTION FACILITIES PROJECT (THE "RESOLUTION")

Mr. Polley then explained that the TCEQ had ordered the District to escrow \$832,000 of the proceeds of the District's \$29,050,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2009 (the "Series 2009A Bonds and Series 2009B Bonds") in connection with the construction of the Upper Seals Gully box culverts, storm water quality feature and detention basin rehabilitation project (the "Upper Seals Gully Project"). Mr. Polley further explained that the construction of the Upper Seals Gully Project had been completed and Jones & Carter was ready to request the TCEQ's approval for the release of such escrowed funds. In addition, Mr. Polley explained that the District has approximately \$1,149,000 in surplus bond proceeds from the issuance of the District's Series 2009A Bonds, Series 2009B Bonds, and the \$6,470,000 Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2011 Bonds that can be utilized. Mr. Polley noted that the District has recently entered into a construction contract with Lindsey Construction in the amount of \$1,386,657 for the Sanctuary Pond Project and that the attorneys, along with the District's engineers are recommending that the District's surplus bond funds be applied toward the construction of the Sanctuary Pond Project and that the request for the TCEQ's approval for the use of surplus funds be included in the Resolution.

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

AUTHORIZE PREPARATION OF NOTICE TO TEXAS COMPTROLLER OF PUBLIC ACCOUNTS (THE "COMPTROLLER") REGARDING THE DISTRICT'S POWER OF EMINENT DOMAIN AS REQUIRED BY SENATE BILL 18

Mr. Polley next explained that Senate Bill 18 requires that an entity authorized to exercise the power of eminent domain must submit a notice to the Comptroller by December 31, 2012, stating that the entity is authorized to exercise its power of eminent domain and identifying

the law granting such authority, in order for the Comptroller to file a report with the executive and legislative branches of the State of Texas. Mr. Polley added that if such notice is not submitted, the eminent domain powers for an entity will expire on September 1, 2013.

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 authorize preparation and submission of the notice to the Comptroller, on behalf of the District.

AUTHORIZE SUBMISSION OF THE 2011 GOVERNMENT UNITS SURVEY (THE "SURVEY") TO THE U.S. CENSUS BUREAU

Mr. Polley next reported that Johnson Radcliffe had received the Survey from the U. S. Census Bureau for completion by the District.

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 authorize Johnson Radcliffe to complete and submit the Survey form on the District's behalf.

CONDUCT PUBLIC HEARING REGARDING TAXATION OF TANGIBLE PERSONAL PROPERTY IN TRANSIT UNDER TEXAS TAX CODE SECTION 11.253

Mr. Polley then explained that Senate Bill 1, enacted by the 82nd Legislature, requires that in order for a taxing jurisdiction to tax, or continue to tax goods-in-transit, a taxing jurisdiction must take official action to tax such goods prior to December 31, 2011. Mr. Polley added that the taxing jurisdiction is required to conduct a public hearing on such matter. It was noted that no members of the public were in attendance and the hearing was adjourned.

REVIEW AND ADOPT SECOND RESOLUTION TO TAX TANGIBLE PERSONAL PROPERTY IN TRANSIT WHICH WOULD OTHERWISE BE EXEMPT PURSUANT TO TEXAS TAX CODE SECTION 11.253 (THE "SECOND RESOLUTION")

Mr. Polley then presented the Second Resolution for the Board's adoption. 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 adopt the Second Resolution, a copy of which is attached hereto.

ADOPT RESOLUTION OF THE BOARD CASTING ITS BALLOT FOR THE ELECTION OF A PERSON TO THE BOARD OF DIRECTORS OF THE HARRIS COUNTY APPRAISAL DISTRICT ("HCAD")

Mr. Polley then reported that HCAD has distributed a form of Resolution to conservation and reclamation districts and a Certification of Ballot for the districts to participate in the election of a person to the Board of HCAD to represent the interests of utility districts. Mr. Polley then briefly reviewed the slate of names on the ballot.

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 cast its ballot for

Glenn E. Peters and adopt a Resolution of the Board Casting its Ballot for the Election of a Person to the Board of HCAD, a copy of such Resolution and the Certification of Ballot is attached hereto.

AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS-TEXAS (THE "AWBD") MID WINTER CONFERENCE IN DALLAS, TEXAS

Mr. Polley next reported that the upcoming AWBD Mid Winter Conference will be held in Dallas, Texas on January 27 and 28, 2012. 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 authorize the directors to attend the AWBD Mid Winter Conference.

ATTORNEY'S REPORT

Mr. Polley then explained that the third (3rd) drainage easement tract has now been acquired from Mr. Thomas G. Manis in connection with the Lower Bonds Gully project.

Mr. Polley added that Johnson Radcliffe is waiting to receive the City of Houston's consent to the annexation of the 4.7955-acre tract of land owned by Third Generation Development GP, LLC, and that it is hoped that such consent is received prior to year end.

MISCELLANEOUS MATTERS

Mr. Polley then stated that the next regular meeting of the Board is scheduled for Tuesday, December 20, 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 20th day of December, 2011.


Secretary, Board of Directors

