

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

June 18, 2013

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, June 18, 2013, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

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| Jim Marks | President |
| Adrian E. Steffes | Vice President |
| Skip Warren | Secretary |
| Ronald W. Schkade | Assistant Secretary |
| Vacancy | Director |

All members of the Board were present, thus constituting a quorum. Also attending the meeting were: Ms. Christina Cole of Myrtle Cruz, Inc., bookkeeper for the District; Ms. Pat Hall of Equi-Tax, Inc. ("Equi-Tax"), tax assessor/collector for the District; Messrs. Erich Peterson, P.E., and Joshua Lee, P.E., 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 Ron Glaze 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 ("VOSL") subdivisions within the District; Mr. Patrick Barry of The Milestone Companies ("Milestone"), owners of 18-acre tract of land within the District on FM 2920 and adjacent to the Kroger Shopping Center; Mr. Chris Jousan, P.E., of Jones & Carter, representing prospective purchaser of the Milestone tract; Mr. Jeb Cox of Mill Creek Residential Trust ("Mill Creek"), developer of a 19.5-acre tract located at Spring-Stuebner Road and Northcrest Drive; Mr. Edward Schaefer, President of Hopkins Commercial Real Estate, Inc., seller of the Mill Creek tract; Mr. Clayton Black, P.E., of Jones & Carter, representing Mill Creek; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association; 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 by Director Marks 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, a copy of which is attached hereto. Lieutenant Glaze reported that another massage parlor, located in the 4900 block of FM 2920, had been shut down. Lieutenant Glaze stated that Meadowhill Regional Municipal Utility District was a victim of a copper theft.

Mr. Webb then entered the meeting and Lieutenant Glaze exited the meeting at 6:05 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 requests that an item be moved to the regular portion of the agenda.

Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to take the following actions on the Consent Agenda items: 1) approve the minutes of the regular meeting of the May 21, 2013, as written, and the certified agenda of the executive session of May 21, 2013, as written; 2) ratify all action taken by the Board at the May 21, 2013 regular meeting; 3) approve Pay Estimate No. 8 in the amount of \$20,250 from Sprint Sand & Clay, L.P., in connection with the Lower Bonds Gully Modifications project; and 4) authorize execution of all water line and sanitary sewer line easements in connection with the Spring Stuebner water line extension project and the Milestone FM 2920 sanitary sewer easements.

REGULAR AGENDA

CONSIDER REQUEST FOR AND AUTHORIZE EXTENSION OF WATER LINE TO SERVE RESTAURANT ON FM 2920 WEST OF T.C. JESTER BOULEVARD

Mr. Lee reported that KM Realty, Inc. sold a portion of the 1.7803-acre commercial tract located on the south side of FM 2920 and west of Kuykendahl Road to an individual who plans to build a Dunkin Donuts restaurant. Mr. Lee noted that when water and sanitary sewer was extended to the 1.7803-acre tract, it was not contemplated that the tract would be separated into two (2) tracts. Mr. Lee explained that in order to serve water to the Dunkin Donuts, the water line will need to be extended by the owner of Dunkin Donuts. Mr. Lee asked the Board for authorization to prepare the plans for the extension of the water line. Upon motion by Director Schkade, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted unanimously to authorize Jones & Carter to work on the plans to extend the water line along FM 2920 to serve the proposed Dunkin Donuts restaurant.

Director Steffes then entered the meeting at 6:10 p.m.

ANNEXATION OF 10.069-ACRE TRACT OWNED BY LUXURY WAREHOUSING, LLC ("LUXURY WAREHOUSING")

Mr. Polley then reported that the City of Houston (the "City") had consented to the annexation of the 10.069-acre commercial tract located on Kreinhop Road into the District. Mr. Polley further noted that items nos. 3, 4, 5, and 6 on the Regular Agenda were related to the annexation of the 10.069 acres tract and could be addressed in one (1) motion. Upon motion by Director Steffes, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to take the following actions: 1) adopt an Order Annexing Land and Redefining Boundaries of the District regarding the 10.069-acre tract owned by Luxury Warehousing, a copy of which is attached hereto; 2) authorize execution and filing of Amended District Information Form in connection with the annexation of the 10.069-acre tract of land; 3) authorize execution of certified boundary map in connection with the annexation of the 10.069-acre tract; and 4) authorize submission to the Department of Justice under the Voting Rights Act of 1965, as amended, with respect to obtaining pre-clearance for the annexation of the 10.069-acre tract of land into the District.

REVIEW AND AUTHORIZE EXECUTION OF THE GMS GROUP, L.L.C. DISCLOSURE LETTER PURSUANT TO MUNICIPAL SECURITIES RULEMAKING BOARD RULE G-23 ("MSRB RULE G-23 LETTER")

Mr. Polley explained that Mr. John Howell had submitted the letter in preparation for the District's 12th bond issue to disclose that The GMS Group, L.L.C. will serve as the Financial Advisor in connection with the District's Series 2013 Bonds. Upon motion by Director Schkade, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to authorize execution of the MSRB Rule G-23 Letter, a copy of which is attached here as an exhibit.

Ms. Pat Hall then entered the meeting at 6:15 p.m.

CONSIDER AMENDING PROVISIONS OF THE DISTRICT'S RATE ORDER RELATED TO MULTI-FAMILY DEVELOPMENTS AND RATES APPLICABLE TO SAME

Mr. Peterson then distributed copies of the Pros and Cons Summary of Multi-Family Development On-site Public Facilities ("Summary of Pros and Cons") that had been requested at the end of the special meeting held on June 4, 2013, a copy of which is attached hereto. Director Marks asked if Jones & Carter had prepared any cost estimates related to same. Mr. Peterson responded that the Board did not request that level of detail. Mr. Peterson reviewed the Summary and stated that the biggest con for the District would be the increased costs to install and maintain individual meters for each unit at multi-family developments.

Director Steffes then stated that he would like the Board to review the Summary of Pros and Cons and to discuss this matter as the sole topic at a special meeting. Mr. McElwrath stated that he was prepared to give the Board supplemental information to review prior to the special meeting. Mr. McElwrath then proceeded to describe the manner in which Oden Hughes sub-meters and bills each unit within their developments for water and sewer service.

Mr. Bob Hudson then entered the meeting at 6:40 p.m.

Director Steffes then stated that his biggest concern is having the developer pay a capital recovery fee for the infrastructure installed by the District. Mr. Polley noted that the developer is purchasing capacity from the District. Mr. Polley noted that the calculation of the capital recovery fees will be included in the feasibility studies that are currently on hold until the Board amends the District's Rate Order.

Mr. Polley then summarized what the developers and their engineers had been explaining as follows: the District would send an invoice to the apartment owner for the aggregate usage as indicated by the master meter and the apartment owner would have a third party read the sub-meters for each apartment unit and bill the tenants for their usage.

Mr. Cox then noted that it would be helpful for the developers to have the capital recovery fee calculation now. Mr. Peterson stated that they could prepare an estimated capital recovery fee calculation for the special meeting.

Mr. Cox then shared photos and architectural renderings of the Mill Creek development.

The Board asked that a special meeting be scheduled on Tuesday, July 2, 2013 at 6:00 p.m. with this matter as the sole agenda item and the Board stated their intent to finalize its Rate Order amendments at that meeting.

Messrs. Barry, Cox, McElwrath, Black, Jousan, and Schaefer then exited the meeting.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Marks then called on Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of May, a copy of which is attached hereto. Ms. Hall reported that 98.3% of the District's 2012 taxes had been collected.

Ms. Hall further reported that Equi-Tax is recommending that its clients enter into a new agreement with Official Payments Services for credit card, electronic check and debit card tax payments. Mr. Polley noted that Mr. Elliott Barner of Johnson Radcliffe has reviewed the proposed agreement, on behalf of all of Johnson Radcliffe's clients that are also Equi-Tax clients, and has requested some minor changes to same. Ms. Hall stated that she will bring a revised agreement to the July meeting.

Ms. Hall next reported that an owner of property in the District had requested a waiver of penalty and interest on his tax account. Ms. Hall stated that her office confirmed that the tax statement was mailed to the property owner's address in Austin, Texas. The Board concurred that the request be denied.

Ms. Hall further reported that Equi-Tax will compare the field check of District properties that was conducted in December 2012 with the preliminary assessed values received from the Harris County Appraisal District (the "HCAD").

Upon motion by Director Steffes, seconded by Director Schkade, 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 deny the

property owner's request to waive the penalty and interest on his delinquent taxes. Ms. Hall stated that she would send a letter to the property owner regarding the Board's denial of his request.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall then reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. 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 Delinquent Tax Attorney's Report.

BOOKKEEPER'S REPORT

Ms. Cole 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. Cole 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. Cole further reported that a check in the amount of \$91,347.53 for March 2013 had been received from the City for the District's share of sales tax revenue in connection with the District's Strategic Partnership Agreement with the City.

Upon motion by Director Warren, seconded by Director Draper, 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.

Director Warren then suggested that the Board review consultant reports first when there are so many people attending a meeting and so many items to consider at a meeting.

DIRECTOR'S INSPECTION REPORT

Director Draper reported that he and Mr. Staab had inspected the District's facilities on June 12, 2013; a copy of Director Draper's Inspection Report is attached hereto. Director Marks noted that a fence board needs to be replaced to the right of the gate at Lift Station No. 1. Director Draper reported that WDM has repaired the leak on the distribution sample tap at the Elevated Storage Tank. 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 then reviewed the Operator's Report for the month of May, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 95.0 %. Mr. Staab further reported that the District currently has 5,893 active connections.

Mr. Staab next reviewed the commercial meter testing report from Southern Flowmeter, Inc. ("Southern Flowmeter"), a copy of which is attached hereto. Mr. Staab reported that a total of 18 meters were tested and 10 of them needed either repairs or replacement. Mr. Staab stated that the approximate cost to test the 18 meters and repair or replace the 10 would be approximately \$5,000. Mr. Staab noted that it would be more economical to authorize Southern Flowmeter to test and repair or replace meters as they go. Mr. Staab stated that the speed of the work by Southern Flowmeter would depend on the extent of the repairs/replacement.

Upon motion by Director Steffes, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize WDM to have Southern Flowmeter systematically test, repair or replace the commercial meters in increments not to exceed a cost of \$10,000 per month.

Ms. Hall and Ms. Cole then exited the meeting at 7:17 p.m.

Mr. Staab next reported that ALFA LAVAL had recently purchased Ashbrook Simon-Hartley in Houston. Mr. Staab stated that a representative of ALFA LAVAL has offered a two (2) week pilot program to test a decanter centrifuge at the District's Wastewater Treatment Plant (the "WWTP"). Mr. Staab noted that the cost to the District to test the centrifuge would be \$2,500 freight, plus \$650 roll-off fee to deliver the equipment. Mr. Lee reported that ALFA LAVAL will provide an on-site representative to demonstrate the centrifuge.

Mr. Lee explained that there are three (3) processes for removing sludge from the District: 1) wet hauling of sludge; 2) belt pressing to condense and dewater sludge; and 3) decanter centrifuge to dewater sludge. Director Schkade then asked why WDM and Jones & Carter are looking at the decanter centrifuge. Mr. Peterson responded that the WWTP does not remove sludge and noted that the District currently wet hauls sludge. Mr. Peterson also reminded the Board that for a period of time the District used a belt press to condense and dewater sludge before hauling it. Mr. Peterson stated that this was an excellent opportunity to test the equipment at a very low cost to the District. Mr. Lee explained that Jones & Carter and WDM are interested in determining whether the decanter centrifuge process would lower the District's operating/maintenance costs for handling sludge. Mr. Staab then informed the Board that ALFA LAVAL has local repair shops in and around town that would be able to service the decanter centrifuge, if the Board is interested in the technology. Mr. Staab then reported that ALFA LAVAL can set up the equipment this week and wait for the Board to return from the Association of Water Board Directors - Texas ("AWBD-TX") Annual Conference to demonstrate how the decanter centrifuge operates next week.

Mr. Staab next reported that the Texas Commission on Environmental Quality (the "TCEQ") inspected the WWTP on May 28, 2013. Mr. Staab stated that the TCEQ found six (6) items to be repaired, four (4) of which have been completed.

Mr. Staab next reported that the District is experiencing moderate drought conditions and asked if the Board wants WDM to send monthly abbreviated water conservation texts with the customer billings or continue to send reminders twice a year. The Board did not take action on the matter.

Upon motion by Director Warren, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, to authorize termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order and to authorize WDM and Jones & Carter to proceed with the ALFA LAVAL two (2) week pilot program to demonstrate the decanter centrifuge.

Director Warren then suggested that WDM use temporary meters when they flush the District's fire hydrants to better account for the water that is used.

ENGINEER'S REPORT

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

Mr. Lee reported that the engineers held an on-site pre-construction meeting with Southland Fence & Supply Company ("Southland"), the contractor for the Lower Bonds Gully Fencing project on June 14, 2013. Mr. Lee reported that the engineer's bid specifications required two (2) coatings of sealant on the fences to be included in the bid package. However, none of the three (3) bidders included such costs. Ms. Lee then stated that Southland had quoted a price of \$29,000 to include the sealant in addition to their bid of \$48,976.20. Mr. Lee reported that he requested a quote from Blastco, a contractor that has done recoating work for the District, and received an estimate of \$18,900. Mr. Peterson noted that the fencing contractor's cost is driven up by a sub-contractor's overhead charge. Mr. Polley agreed that the cost to the District would be less if a recoating contractor did the sealant work and not the fencing contractor. A discussion ensued regarding whether to hold Southland to the bid specifications or to request additional sealant cost estimates. Director Draper stated that he would solicit another cost estimate from a contractor that he knows. Mr. Lee noted that he will include an action item on the July 16th agenda.

Mr. Webb then exited the meeting at 7:50 p.m.

Mr. Peterson then reported that the Omnibus Bill (Senate Bill 902), introduced by Representative Bill Callegari, would take effect September 1, 2013. Mr. Peterson noted that the limit for requiring advertising for bids will be increased from \$50,000 to \$75,000. Mr. Polley added that Johnson Radcliffe is working on a Summary of the 83rd Legislative session that will be distributed to clients in late July or early August.

Mr. Lee reported that the Northampton Municipal Utility District is preparing to expand its WWTP and they sent a letter to the District to see if capacity exists to serve them Mr. Lee stated that he would prepare a response letter.

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

STATUS OF BOND APPLICATION REPORT NO. 12 ("BAR NO. 12")

Mr. Polley next reported that Integra Realty Resources had completed the appraisal for the 10-acre Reserve "C," Northcrest Village, Section 1 detention pond land. Mr. Polley informed

the Board that the appraised value of the detention pond land is \$1.00 per square foot. Mr. Lee noted that the amount (\$440,000) was less than what Mr. Perry Senn had anticipated and, therefore, there would be approximately \$500,000 in the proposed BAR No. 12 that could be utilized to reimburse another project.

Mr. Hudson then stated that he felt confident that the appraised values in VOSL, Section 1 would warrant a true-up reimbursement from the District. Mr. Hudson asked when the District would request another estimate of appraised value from the HCAD. Mr. Polley responded that another estimate would not be needed by the District until BAR No. 12 has been approved by the TCEQ. Mr. Hudson then stated that he would pay for the cost of an estimate as of July 1, 2013. Mr. Polley reminded the Board that the President had been previously authorized to execute resolutions to the HCAD, as needed. Ms. Dold noted that she would prepare the resolution and forward it to Director Marks for execution.

REVIEW AND APPROVE FINAL ARBITRAGE REBATE AND YIELD RESTRICTION CALCULATION REPORT FOR THE DISTRICT'S \$5,750,000 SERIES 2004 BONDS

Mr. Polley then distributed copies of the Final Arbitrage Rebate and Yield Restriction Calculation Report for the District's \$5,750,000 Series 2004 Bonds prepared by Arbitrage Compliance Specialists, Inc., a copy of which is attached hereto. Mr. Polley noted that the District does not owe the Internal Revenue Service a rebate payment. Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve and acknowledge the receipt of the final report.

REPORT OF SCHEDULING E-WASTE AND DOCUMENT DESTRUCTION PROGRAMS WITH RESIDENTIAL RECYCLING OF TEXAS, INC. ("RRT")

Director Schkade reported that he plans to meet with Ms. Carleen Wolff of RRT during the AWBD-TX Annual Conference regarding the programs.

DEVELOPER'S REPORT

Mr. Hudson reported that the plat for VOSL, Section 5 is being recorded. Mr. Hudson added that there have been seven (7) pre-sales in VOSL, Section 5. Mr. Hudson further reported that lots are now available in VOSL, Section 4. Concerning VOSL, Section 2, Mr. Hudson stated that Jones & Carter is waiting on City and County approvals to advertise for bids on this section.

ATTORNEY'S REPORT

STATUS OF ACQUISITION OF EASEMENTS FOR SPRING STUEBNER WATER LINE PROJECT

Mr. Polley reported that offers for the easements had been sent to 15 landowners. Mr. Polley noted that copies of those easements had been presented for execution tonight to be held pending receipt of execution pages from the landowners. 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 accept the easements and authorize execution of same by the President.

STATUS OF POST-ISSUANCE COMPLIANCE REVIEW WITH COMPLIANCE OFFICER AND NECESSARY CONSULTANTS

Mr. Polley reported that he had to cancel the Compliance Review that was scheduled on June 25, 2013, due to several work conflicts. Mr. Polley stated that his office will work to reschedule the meeting.

MISCELLANEOUS MATTERS

Director Warren then informed the Board that the District is not getting its money's worth from sponsoring the Harris-Galveston Subsidence District WaterWise Program at Roth Elementary School and Northwoods Catholic School. Director Warren offered to contact both schools to determine if the schools are using the WaterWise curriculum. Ms. Dold reminded the Board that they also participated in the "Adopt a School" educational assemblies at Roth Elementary School and Mueller Elementary School in 2011.

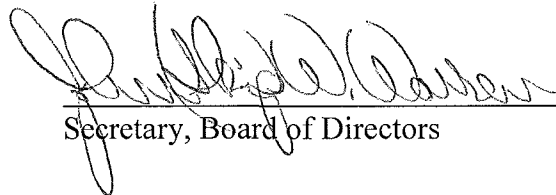
Mr. Polley then noted that the Board's next special meeting will be scheduled for Tuesday, July 2, 2013, at 6:00 p.m., and the next regular meeting of the Board is scheduled for Tuesday, July 16, 2013, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 16th day of July, 2013.

(DISTRICT)




Secretary, Board of Directors