

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

July 16, 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, July 16, 2013, at 6:00 p.m.; whereupon, the roll was called of the members of the Board, to-wit:

Jim Marks	President
Adrian E. Steffes	Vice President
Skip Warren	Secretary
Ronald W. Schkade	Assistant Secretary
Mikuel K. Draper	Director

All members of the Board were present, except Director Draper, 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 and Deputy James Hinkel of the Harris County Precinct 4 Constable's Office; Mr. Randy Odinet, P.E., of Pape-Dawson Engineers, Inc. representing the owner of a 20-acre commercial tract located on Spring Stuebner Road; Mr. Mac McElwrath of Oden Hughes, LLC ("Oden Hughes"), potential developer of a proposed multi-family development on a 19.032-acre tract of land within the District on FM 2920 and adjacent to the Kroger Shopping Center; Mr. Clayton Black, P.E., of Jones & Carter, representing Mill Creek Residential Trust, LLC ("Mill Creek"); Mr. Robert Daigle, Land Development Project Manager of DR Horton, developer in The Sanctuary Veritas subdivision within the District; Mr. Joe Palumbo of Third Generation Development, L.P. ("Third Generation Development"), developer of a 4.9755-acre commercial tract of land on FM 2920; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association and resident of the District; Mr. John Lake, resident of the District; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("Johnson Radcliffe"), attorneys for the District. A copy of the sign-in sheet for those in attendance at the meeting is attached hereto.

WHEREUPON, the meeting was called to order 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 there had been numerous car thefts involving as many as five (5) thieves.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Marks then called on Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of June, a copy of which is attached hereto. Ms. Hall reported that 98.7% of the District's 2012 taxes had been collected. Ms. Hall further reported that Equi-Tax has recommended that its clients enter into an agreement with Official Payments Services for credit card, electronic check and debit card tax payments because of the company's customer service and lower rates. Mr. Polley noted that Mr. Elliot Barner of Johnson Radcliffe had reviewed the proposed agreement and requested some minor revisions.

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 Tax Assessor/Collector's Report, to authorize payment of the checks reflected therein and to approve and authorize execution of the agreement with Official Payments Services (a copy of which is attached hereto).

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 Schkade, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted to approve the Delinquent Tax Attorney's Report.

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. Mr. Polley noted that the minutes of the special meeting and executive session of July 2, 2013 were not being presented for approval tonight. Mr. Lee asked that the Board remove items C.2.a. and C.2.b. from the Consent Agenda to discuss later in the meeting.

Director Schkade reported that Director Draper had given him a cost estimate from GC Painting in the amount of \$2,868 to apply sealant to the new fence along lower Bonds Gully. Director Schkade noted that the estimate was significantly less than other cost estimates received by the engineers. Mr. Peterson stated that he would contact the contractor to be sure that he is aware of the scope of the project.

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 take the following actions on the Consent Agenda items: 1) approve the minutes of the regular meeting of the June 18, 2013 and the special meetings of May 4, 2013 and June 4, 2013, as written; and 2) approve Pay Estimate No. 2 and Final in the amount of \$37,939 and Change Order No. 2 in the amount of \$1,200, to install missing gate valve boxes, check valves and plastic blow-off boxes, from AR Turnkey Construction Company, Inc. in connection with The Sanctuary Veritas Phase II – Stage II Drainage Utilities and Final Adjustment of Water and Sewer Utilities.

Ms. Hall then exited the meeting at 6:10 p.m.

REGULAR AGENDA

REVIEW AND APPROVE FEASIBILITY STUDY FOR THE ODEN HUGHES 19.032-ACRE TRACT MULTI-FAMILY DEVELOPMENT

Mr. Lee reviewed feasibility study prepared by Jones & Carter for the Oden Hughes Tract located north on FM 2920 and west of Kuykendahl Road and within the District's boundary, a copy of which is attached hereto. Mr. Lee reported that there is an existing 12-inch water line located approximately 290 feet south of the Oden Hughes Tract, adjacent to the northern right-of-way ("ROW") of FM 2920, within an existing water line easement. Mr. Lee stated that this waterline can be utilized to serve the Oden Hughes Tract. Mr. Lee noted that Oden Hughes will be responsible for a water plant capacity fee of \$337,908 (\$3.48 per gallon capacity).

Concerning sanitary sewer service, Mr. Lee reported that Oden Hughes will be responsible for a wastewater treatment plant capacity fee of \$449,820 (\$5.25 per gallon of capacity). Mr. Lee noted that there is an existing 12-inch sanitary sewer line located 280 feet south of the Oden Hughes Tract, adjacent to the northern ROW of FM 2920, within an existing 15-foot sanitary sewer easement. Mr. Lee stated that a public sanitary sewer line extension is not necessary, but noted that the additional wastewater flow to Lift Station No. 5 will require the developer to upgrade the impellers in the existing pumps at an extended cost of \$41,000. Mr. Lee then noted that the multi-family development is not public and the developer will be responsible to determine the drainage outfall and any detention requirements for the development.

Director Steffes then asked if the addition of the two (2) proposed multi-family developments will require the District to construct Water Plant No. 4 ("WP No. 4"). Mr. Lee responded that Jones & Carter added the usage information for both multi-family developments into the District's water system model and stated that such addition does not trigger the need for WP No. 4.

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 feasibility study.

REVIEW AND APPROVE FEASIBILITY STUDY FOR THE MILL CREEK 19.5-ACRE TRACT MULTI-FAMILY DEVELOPMENT

Mr. Lee then reviewed the feasibility study prepared by Jones & Carter for the Mill Creek Tract located on the southwest corner of Northcrest Drive and Spring Stuebner Road, within the boundaries of the District, a copy of which is attached hereto. Mr. Lee reported that the development will be responsible for a water plant capacity fee of \$469,800 (\$3.48 per gallon of capacity). Mr. Lee also reported that there is an existing 12-inch water line located at the southwest corner of Spring Stuebner Road and Northcrest Drive. Mr. Lee stated that the developer will need to extend the water line approximately 1,900 feet to the west and connect to an existing 12-inch water line located along the south ROW of Spring Stuebner Road. Mr. Lee further stated that the water line extension will need a 10-foot water line easement dedicated to the District.

Concerning sanitary sewer service, Mr. Lee reported that the wastewater treatment plant capacity fee would be \$630,000 (\$5.25 per gallon of capacity). Mr. Lee reported that there is an existing manhole located at the southwest corner of Northcrest Drive and Northcrest Village Way and the developer will be responsible for extending a 12-inch sanitary sewer line from such manhole to the southwest corner of Spring Stuebner Road and Northcrest Drive, along the western ROW of Northcrest Drive. Mr. Lee stated that the developer will be required to dedicate a 15-foot sanitary sewer line easement to the District. Mr. Lee noted that the additional flow into Lift Station No. 5 will require an upgrade to the impellers of the existing pump at an estimated cost of \$33,000.

Mr. Lee stated that the multi-family development is not public and the developer will be responsible to determine the drainage outfall and any detention requirement for the development.

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 approve the feasibility study.

Messrs. McElwrath and Shaughnessy then exited the meeting at 6:30 p.m.

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 \$66,579.37 for April 2013 had been received from the City of Houston (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 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.

DIRECTOR'S INSPECTION REPORT

Director Warren reported that he and Mr. Staab had inspected the District's facilities on July 15, 2013; a copy of Director Warren's Inspection Report is attached hereto. Director Warren then stated that the Bridgestone Homeowners Association had asked why piles of dirt were being brought in on the church property at the corner of FM 2920 and Bridgestone Lane. Mr. Peterson stated that he suspects that the church is going to build up the land, which has suffered from flooding in the past. Mr. Peterson noted that they need to be sure that the storm water flow is not redirected. Director Warren stated that he will call the church and ask what they are going to do with the dirt.

Director Warren then reported that the fence at the dead-end of Rose Rock and River Shadows is in bad repair and asked if WDM could arrange for a new fence. Mr. Peterson reminded the Board and WDM that they will need to obtain Harris County's permission to build a new fence.

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 approve the Director's Inspection Report.

OPERATOR'S REPORT

Mr. Staab then reviewed the Operator's Report for the month of June, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 93.5 %. Mr. Staab further reported that the District currently has 5,896 active connections. Mr. Rowe reported that 57 cut-off notices had been mailed and five (5) accounts were still off.

Messrs. Black and Odinet then exited at 6:42 p.m.

Mr. Staab next reviewed information from Mueller Systems regarding an innovative smart meter technology known as Mi.net. Mr. Staab noted that this is new technology since the Board last considered automatic meter reading systems. Mr. Staab informed the Board that the District is now 70% complete with automatic meters. Mr. Staab stated that he has been researching smart meter technology for one (1) year and he recommends the Mi.net system.

Mr. Staab then recommended that the Board continue mandatory water conservation with the District. Director Schkade then asked how the Board enforces violations of the mandatory water use restrictions under the District's Drought Contingency Plan (the "DCP"). Mr. Polley responded that there is no policing procedure. Director Schkade stated that his neighbor had asked the question and decided to ignore the mandatory water use restrictions under the District's DCP. Mr. Polley then suggested that it might be best for the District to implement voluntary response measures for the time being, so that if the District decides to implement mandatory restrictions in the future, residents may be more responsive.

Mr. Lee reported that the North Harris County Regional Water Authority (the "NHCRWA") has just adopted a new DCP to mirror the City's DCP. Mr. Lee stated that the NHCRWA will be sending a letter to all utility districts within the NHCRWA to advise them that they must amend their DCPs to mirror the Authority's and the City's DCPs. Mr. Peterson

explained that if the City implements drought conditions, the NHCRWA will implement drought conditions and the utility districts within the NHCRWA will be expected to follow suit.

Director Steffes then suggested that the District have a letter prepared to educate the District's customers regarding drought conditions and water conservation efforts. Director Steffes stated that the letter from the District be mailed to existing customers and WDM should give a copy of the letter to new customers.

Director Marks then inquired if WDM has an installment payment plan agreement for customers to execute. Mr. Staab responded that there is a generic letter that a customer signs with the terms of their installment payment plan.

Mr. Staab then asked what the Board wanted to do about the Mi.net technology. Director Marks suggested that the matter be reviewed at a special meeting.

Ms. Cole then exited the meeting at 7:05 p.m.

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, to authorize termination of service to the delinquent accounts in accordance with the provisions of the District's Rate Order, to implement Stage 1 of the District's DCP, which includes voluntary drought response measures, and to authorize preparation of a letter to educate customers regarding drought conditions and water conservation.

ENGINEER'S REPORT

Mr. Lee then reviewed the Engineer's Report, a copy of which is attached hereto. Mr. Lee reported that 10 bids were submitted for the Third Generation Development Water and Sanitary Sewer Extension project. Mr. Lee stated that TNTMC was the low bidder in the amount of \$105,267, a copy of which bid tabulations are attached to the Engineer's Report. Mr. Lee noted that the District had agreed to pay for the portion of the water line under FM 2920, which is 18.4% of the contract price (\$19,369.13). 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 ask MCI to invoice Mr. Palumbo for his share of the contract price and to award the contract to TNTMC, subject to receipt of funds from Mr. Palumbo.

Mr. Lee then asked the Board to authorize execution of the TNTMC construction contract as soon as it is ready. 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 execution of the TNTMC construction contract.

Concerning the Lift Station No. 1 Generator Replacement project, Mr. Lee reported that CenterPoint Energy has indicated that it will take from eight (8) to 14 weeks to extend the natural gas line to the generator. Mr. Lee also reported that water service will be off for several hours in the Gosling Pines subdivision tomorrow evening during the lowering of a water line and sanitary force main, which is necessary to construct a gravity outfall in the Gosling Pines detention pond. Mr. Staab reported that notice regarding the water outage had been delivered to

residents and stated that he would be on-site during the work on the water and sanitary force main.

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 Engineer's Report.

DISCUSS STATUS OF CONSTRUCTING AN EMERGENCY WATER INTERCONNECT WITH BILMA PUBLIC UTILITY DISTRICT ("BILMA")

Mr. Lee next reported that on July 1st, he, Mr. Peterson, Directors Marks and Steffes met with Bilma Directors John Chamberlain and Mark Stoebner and Bilma engineer, Mr. Justin Abshire, P.E., to further discuss the proposed emergency interconnect at Spring Cypress Road and Klein Church Road. Mr. Lee informed the Board that Bilma would like to proceed with the construction of the interconnect and split the costs 50/50 with the District. Director Warren then stated that he wanted the proposed interconnect to be metered and was not in favor of the 50/50 cost split. A discussion ensued concerning the District's possible future needs for water from Bilma. Mr. Rowe inquired if Bilma could supply enough water to meet the District's needs. Mr. Peterson responded that Bilma could not fully supply the District, but also noted that the District could need emergency water at some time in the future. Mr. Lee stated that a metered interconnect and meter vault would cost approximately \$100,000. Mr. Staab noted that the District presently has both metered and unmetered interconnects. Mr. Lee reported that the City requires a meter vault and meter as such time that a district is annexed into the City.

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 authorize Jones & Carter to notify Bilma that the District is prepared to split the cost to construct an emergency interconnect at the Spring Cypress Road and Klein Church Road location with a two-way impeller meter. Mr. Polley stated that he will work on an Emergency Water Supply Agreement and present it at the District's August 20th meeting.

STATUS OF BOND APPLICATION REPORT NO. 12

Mr. Lee reported that the appraisal for the 10-acre Reserve "C," Northcrest Village, Section 1 detention pond land had been forwarded to Mr. Perry Senn for his review. Mr. Polley stated that on Monday he had spoken with Mr. Senn who felt the appraisal amount was too low. Mr. Polley noted that he informed Mr. Senn that the District needed cost backup if he wished to make a case for a higher reimbursement amount. Mr. Polley stated that Mr. Senn had indicated on Monday that he would have the backup information by this Wednesday. A discussion ensued regarding how to proceed with the submission of the bond application to the Texas Commission on Environmental Quality (the "TCEQ").

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board agreed to authorize preparation and execution of the Resolution Authorizing Application to the TCEQ for Approval of Project and Twelfth Issue of Bonds contingent upon the receipt of the backup information from Mr. Senn and the

resolution of the amount of reimbursement for the Northcrest Village, Section 1 detention pond land.

REVIEW INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT (THE "HGSD") FOR SPONSORSHIP OF THE WATERWISE PROGRAMS AT ROTH ELEMENTARY SCHOOL AND NORTHWOODS CATHOLIC SCHOOL FOR THE 2013-2014 SCHOOL YEAR

Mr. Polley reported that the HGSD had sent an Interlocal Agreement for renewed sponsorship of the WaterWise programs at Roth Elementary and Northwoods Catholic schools. Director Warren then stated that Mr. David Martinez of the HGSD had not returned his calls regarding the administration of the programs at the schools. Ms. Dold offered to contact Mr. Martinez and advise him that the Board will not take action on the proposed Interlocal Agreement until he has talked with Director Warren.

Messrs. Lake and Webb then exited the meeting at 7:40 p.m.

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

Director Schkade reported that he has been working with Ms. Carleen Wolff of RRT to schedule the programs in the District, probably in September and again in the spring. Director Schkade stated that he had asked the manager of the Lowe's Home Improvement store if the RRT equipment can be set up in their parking lot over near Lift Station No. 5. Director Schkade further stated that RRT will print the notices of the special recycling program date and times for inclusion in the District's customer billing. Director Schkade asked that the item remain on the August agenda.

ATTORNEY'S REPORT

STATUS OF ACQUISITION OF EASEMENTS FOR SPRING STUEBNER WATER LINE PROJECT

Mr. Polley reported that he and Director Warren have scheduled a meeting with Dr. Eugene Fontenot on July 18th to discuss the District's offer for the acquisition of (4) easements across his property.

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

Mr. Polley stated that his office will work to reschedule the meeting.

DISCUSS LETTER FROM THE LAW OFFICES OF WESLEY H. HOCKER, ATTORNEY FOR JOHN LAKE

Mr. Polley then reported that he received a letter from Mr. Hocker, on behalf of Mr. Lake, which purports to give notice of a potential claim under the Texas Tort Claims Act, a copy of which is attached hereto. Mr. Polley noted that the letter alleged that Mr. Lake's

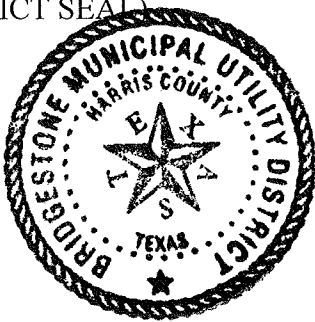
character had been maligned and defamed due to Mr. Staab's report on March 19, 2013, that Mr. Lake's water service was about to be terminated due to his refusal to pay his recycling fees. Mr. Polley stated that he would prepare a response to Mr. Hocker's letter and notify the District's insurance agent of the District's receipt of this letter.


Mr. Polley then noted that the Board's next regular meeting will be scheduled for Tuesday, August 20, 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 20th day of August, 2013.

(DISTRICT SEAL)




Secretary, Board of Directors

