

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

February 18, 2014

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, February 18, 2014, 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, 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., 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; Mr. Bob Hudson of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Senterra Lakes and Villages of Senterra Lakes (the "VOSL"), subdivisions within the District; Mr. Robert Daigle, Land Development Project Manager of DR Horton, developer of The Sanctuary Veritas subdivision within the District; Lieutenant David Mayes and Deputy James Hinkel of the Harris County Precinct 4 Constable's Office; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association and resident of the District; Ms. Myeshi Briley, resident of the District; Ms. Tiffany Cady, former President of Houston Dog Park Association; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC ("JRPB"), 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 Mayes then presented the monthly Constable's Report. Lieutenant Mayes reported that criminal activity has increased in the District. Lieutenant Mayes informed the Board that the thief arrested for stealing the battery at Lift Station No. 1 was released from jail

and immediately broke into a house. Lieutenant Mayes further reported that shop lifting continued to be a problem at the Walmart.

Lieutenant Mayes and Deputy Hinkel then 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. Mr. Lee stated that there were no pay estimates or change orders for the Board's approval.

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 special meeting and executive session of October 29, 2013, and the minutes of the regular meeting of January 21, 2014, as written; 2) authorize Jones & Carter to update the District's Water Conservation Plan; 3) authorize Jones & Carter to schedule the pre-purchase inspections of facilities included in the District's Series 2014 Bonds; and 4) authorize execution of the Gulf South Pipeline Agreement 5760 regarding the 12-inch water line crossing same.

REGULAR AGENDA

ATTORNEY'S REPORT

Mr. Polley reported that JRPB is still holding the two (2) reimbursement checks in connection with Children's Universe, pending receipt of a properly worded pre-purchase letter from the Texas Commission on Environmental Quality.

Mr. Polley next reported that the proposed Letter Agreement with Above and Beyond Fellowship Church (the "Church") concerning the design and construction of a public water line extension to serve the Church's property is ready for Board approval and execution. 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 the Letter Agreement and authorize the President to execute it. A copy of the Letter Agreement is attached hereto.

Concerning the proposed Dairy Queen on Kuykendahl Road near the Kroger Signature Center, Mr. Polley reported that Mr. Patrick Barry of Milestone Properties is ready to finalize the proposed Agreement for Financing of Facilities ("Financing Agreement"). Upon motion by Director Steffes, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted to approve the Financing Agreement and authorized execution of same, a copy of which is attached hereto.

STATUS OF ACQUISITION OF WATER LINE EASEMENTS ON SPRING STUEBNER ROAD

Mr. Polley then briefly reviewed the status of the acquisition of the water line easements on Spring Stuebner Road. Mr. Polley reported that Ms. Martye Kendrick of JRPB had not reached an agreement with Mr. Eugene Fontenot regarding his easement tracts and Mr. Polley recommended that the Board adopt the Resolutions Authorizing Proceedings in Eminent Domain to condemn Mr. Fontenot's tracts.

Upon motion by Director Warren, seconded by Director Steffes, after full discussion and the question being put to the Board and pursuant to Section 2206.053 of the Texas Government Code, as amended, the Board voted unanimously to adopt three (3) Resolutions Authorizing Proceeding in Eminent Domain (each of which is individually referred to as a "Resolution") to acquire the following property for the construction of a public water line project known as the Spring Stuebner Water Line Extension:

1. 0.0472-acre tract, 0.0316-acre tract, and 0.0604-acre tract Water Line Easement from Fontenot Real Estate, L.P., which property is further described in the Resolution attached hereto;
2. 0.0543-acre Water Line Easement from Dr. Eugene Fontenot, which property is further described in the Resolution attached hereto; and
3. 0.0145-acre Water Line Easement from Fontenot Revocable Living Trust, which property is further described in the Resolution attached hereto.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Marks then called on Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of January, a copy of which is attached hereto. Ms. Hall reported that 96% of the District's 2013 taxes had been collected. Ms. Hall also reported that she submitted the Resolution Requesting an Estimate of Appraised Value as of February 1, 2014 to the Harris County Appraisal District. 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 and to authorize payment of the checks reflected therein.

Mr. Hudson then entered the meeting at 6:18 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 noted that the Delinquent Tax Attorney has asked that delinquent account numbers 4 and 5, under Section II of the report, be moved to the uncollectible tax roll.

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 Delinquent Tax Attorney's Report and approve moving delinquent account numbers 4 and 5, under Section II of the report, to the uncollectible tax roll.

Ms. Briley and Ms. Cady then entered the meeting at 6:20 p.m.

RESOLUTION CONCERNING EXEMPTIONS FROM TAXATION FOR 2014 TAX YEAR
(THE "TAX RESOLUTION")

Ms. Hall then reported that last year, the Board granted a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and a 10% general residential homestead exemption. Mr. Polley informed the Board that the Tax Resolution had been prepared to maintain these same exemptions for the 2014 tax year. 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 adopt the Tax Resolution, thereby granting a \$25,000 exemption for individuals who are disabled or who are 65 years of age or older and a 10% general residential homestead exemption for the 2014 tax year. A copy of the Tax Resolution is attached hereto.

RESOLUTION IMPLEMENTING PENALTY ON 2013 DELINQUENT TAXES AND
CONTRACTING WITH ATTORNEYS TO COLLECT DELINQUENT TAXES (THE
"DELINQUENT TAX RESOLUTION")

Mr. Polley then explained that pursuant to Sections 6.30, 33.07, 33.08 and 33.11 of the Texas Property Tax Code, as amended, the District may levy an additional 20% penalty on 2013 real property taxes that remain delinquent as of July 1, 2014 and an additional 20% penalty on 2013 personal property taxes that remain delinquent as of April 1, 2014, to help defray the costs of collection, if the Board has entered into an agreement with an attorney for the collection of delinquent taxes and if adequate notice of such penalty is provided to property owners. Mr. Polley further explained that the Delinquent Tax Resolution would implement these penalties. 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 adopt the Delinquent Tax Resolution, a copy of which is attached hereto.

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 \$66,182.43 for December 2013 and a check in the amount of \$69,650.61 for January 2014 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 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 therein.

PRESENTATION REGARDING REQUEST FOR THE CONSTRUCTION OF A DOG PARK IN THE DISTRICT

Ms. Cady introduced herself as the former President of the Houston Dog Park Association ("HDP") and handed out an HDP Executive Summary for the Board's review, a copy of which is attached hereto. Ms. Cady then reviewed the benefits of having a dog park. Director Warren then asked about the source of funding. Ms. Cady requested that the District pay to build and maintain the dog park. Director Schkade then asked about the negatives of having a dog park. Ms. Cady responded that cleaning the dog park is the biggest negative aspect. Director Schkade asked Ms. Cady if she could provide information regarding utility districts that have built dog parks. Director Schkade added that several negatives that come to mind are cleaning, reseeding the area to replace dead grass, having the equipment to maintain the dog park and water leaks. Ms. Cady responded that most neighborhood parks do not have water in the park and added that most of the expense is for the fence surrounding the dog park. Ms. Cady noted that dog parks must have a fence that is five feet (5') to eight feet (8') high. Director Marks then stated that the Board would ask Mr. Polley to look into what concerns the District might have about constructing a dog park. Director Marks asked that a discussion item regarding the dog park be placed on the March 18th agenda.

Ms. Briley and Ms. Cady thanked the Board and exited the meeting at 6:52 p.m.

Ms. Hall, Ms. Cole and Mr. Polley then exited the meeting at 6:53 p.m.

APPOINT CONSULTANT/DIRECTOR LIAISONS FOR 2014

The Board discussed the liaison assignments. 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 appoint the Consultant/Director Liaisons as follows:

CONSULTANT	PRIMARY BOD CONTACT	SECONDARY BOD CONTACT
Engineers	Skip Warren	Adrian Steffes
Attorneys	Skip Warren	Ron Schkade
Operators	Jim Marks	Adrian Steffes
Bookkeeper/Tax/Delinquent Tax	Ron Schkade	Mickey Draper
Constables	Adrian Steffes	Jim Marks
NHCRWA	Adrian Steffes	Mickey Draper
Other Contracts/Consultants	Jim Marks	Adrian Steffes

DIRECTOR'S INSPECTION REPORT

Director Marks reported that he and Mr. Staab had inspected the District's facilities on February 12, 2014; a copy of his written report is attached hereto. Director Marks reported that

the facility sites were in very good shape and noted that Mr. Staab would discuss the fencing for Lift Station No. 1 later in the meeting.

Ms. Dold noted that Director Draper is scheduled to conduct the March and April inspections.

Upon motion by Director Steffes, seconded by Director Draper, 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 January, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 94.3%. Mr. Staab further reported that the District currently has 6,007 active connections.

Next, Mr. Staab informed the Board that a letter was received from the North Harris County Regional Water Authority (the "NHCRWA"), dated January 22, 2014, regarding the new rates for well pumpage and surface water that go into effect on April 1, 2014. Mr. Staab stated that the well pumpage fee will be increased to \$2.00 per 1,000 gallons and the surface water fee will be increased to \$2.45 per 1,000 gallons. A copy of the NHCRWA letter is attached hereto. Mr. Rowe asked if the Board wants to adjust the blended water rate of \$2.30 per 1,000 gallons that is currently billed to customers. Mr. Peterson reminded the Board that Jones & Carter ran a calculation that led to the current blended water rate and inquired if the Board wants Jones & Carter to recalculate the numbers. Director Steffes stated that he would like to leave the \$2.30 per 1,000 gallons rate in effect for one (1) year and monitor the impact of the NHCRWA increased rates on the District. Director Warren also stated that he wants to know how the NHCRWA increased rates will affect the District.

Mr. Staab reported that 18 accounts totaling \$2,160.96 are being sent to the collection agency and \$16.86 is being written off. Mr. Staab further reported that six (6) of the 18 accounts that had service terminated have paid.

Mr. Staab next reported that he has received a Propagation Study for Advanced Metering Infrastructure System Proposal from Mueller Infrastructure Network ("Mueller"), a copy of which is attached hereto. Mr. Staab suggested that Mueller give a presentation to the Board at a special meeting. Mr. Staab informed the Board that the automatic meters that have been installed previously were discontinued in 2013. The Board concurred that a special meeting should be scheduled on Tuesday, March 25, 2014, at 6:00 p.m. Mr. Staab stated that he would contact Mueller to confirm that they are available on the date and let Ms. Dold know.

Mr. Staab then reported that it will cost \$7,645 to extend the access road at the central gate of the Wastewater Treatment Plant (the "WWTP"). Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board authorized WDM to proceed with having the access road extended at a cost of \$7,645.

Concerning the fence at Lift Station No. 1, Mr. Staab reviewed three (3) estimates, as follows: 1) \$10,836 for 240-feet of eight foot (8') cedar pickets; 2) \$27,077 for 240 feet of

Fencecrete; and 3) \$28,825 for 240 feet of concrete masonry units ("CMU"). Mr. Staab then reviewed the costs for a 14-foot track gate, as follows: 1) \$2,743 for a two inch (2") mesh chain-link gate; 2) \$3,445 for a one-half inch (½") mesh chain-link gate; and 3) \$4,675 for a louvered gate. Director Steffes noted that a Fencecrete fence would last the longest. Director Schkade stated that he has had problems with repairing Fencecrete fences. Director Marks noted that vandalism at Lift Station No. 1 will continue as long as the current residents live in the house nearby. Mr. Staab noted that CMU comes with a color pigment and it does not require painting. A discussion ensued. The Board concurred that a CMU fence with one-half inch (½") mesh track gate should be constructed and WDM would spray the fence with a silicone product to retard graffiti.

Mr. Staab next reported that a new eight foot (8') micro mesh chain-link fence at the Spring Terrace Water Pump Station would cost \$9,200. The Board decided to defer action on replacement of the fence.

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, and to authorize the construction of the CMU at an estimated cost of \$28,825 fence and one-half inch (½") mesh track gate at Lift Station No. 1 at an estimated cost of \$3,445.

ENGINEER'S REPORT

Mr. Lee then reviewed the Engineer's Report, a copy of which is attached hereto. Mr. Lee reported that The Andritz Group, a manufacturer of a decanter centrifuge, is scheduled to perform a pilot study with their mobile centrifuge from February 18th – 22nd at the District's WWTP. Mr. Lee stated that the pilot study will determine whether the Andritz centrifuge can meet the District's performance metrics. Mr. Lee invited the Board members to contact the engineers or operators if they want to observe the pilot study. Mr. Lee noted that Jones & Carter plans to advertise for the decanter centrifuge in June.

Mr. Lee next reported that Jones & Carter solicited three (3) proposals for the Lift Station No. 5 impeller replacement. Mr. Lee informed the Board that replacement impellers will double the capacity of Lift Station No. 5. Mr. Lee stated that Pump Solutions, Inc. submitted the lowest bid with two (2) options, as follows: 1) \$30,451 two (2) impellers with impeller wear rings and casing wear rings; and 2) \$39,200 for two (2) impellers with impeller wear rings, casing wear rings, seals, bearings and O-rings. Mr. Lee noted that the difference in cost depends on what work is deemed necessary in the replacement process. Upon motion by Director Schkade, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted four (4) votes in favor and one (1) vote opposed, with Director Warren voting in opposition, to accept the proposal of Pump Solutions, Inc., in the amount not to exceed \$39,200.

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

Mr. Lee reported that he is working on the Water Plant Efficiency Evaluation as requested by Director Marks at the January meeting. Mr. Lee stated that he would have the evaluation ready for the April meeting.

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 approve the Engineer's Report.

DEVELOPER'S REPORT

Mr. Hudson reported that the VOSL, Section 2 lots will be ready for builders next month.

Concerning The Sanctuary Veritas, Mr. Daigle reported that DR Horton has closed on 44 homes in Phase 1 and six (6) homes in Phase 2.

DEVELOPER REIMBURSEMENTS

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 Jones & Carter to prepare reimbursement calculation worksheet for the third true-up reimbursement to VOSL, LP and First Continental Investment Company, Ltd. and to authorize McCall Gibson Swedlund Barfoot PLLC ("MGSB") to prepare the related audit of agreed-upon procedures.

Ms. Dold next presented an engagement letter from MGSB to prepare the audit of agreed-upon procedures in connection with the issuance of the District's Series 2014 Bonds, a copy of which is attached hereto. Upon motion by Director Draper, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board unanimously authorized the execution of the engagement letter.

AUTHORIZE PREPARATION OF PRELIMINARY OFFICIAL STATEMENT FOR THE SALE OF THE DISTRICT'S SERIES 2014 BONDS

Mr. Lee reported that Jones & Carter expects to receive the Texas Commission on Environmental Quality approval of Bond Application Report No. 12 prior to the March meeting. Upon motion by Director Steffes, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Financial Advisor and Attorney to prepare the Preliminary Official Statement for the Board's review at the March 18th meeting.

SUPPLEMENTAL ELECTION AGENDA

Ms. Dold next reviewed the Supplemental Agenda regarding the upcoming May 10, 2014 Directors Election.

ADOPT ORDER CALLING DIRECTORS ELECTION

Ms. Dold presented an Order Calling Directors Election and noted that the Early Voting polling place and the Election Day polling place will be at the Jerry Thomas Community Center, at 4403 Lost Lake Lane. Ms. Dold stated that early voting hours will be determined when Director Warren finds a person to serve as the Early Voting Clerk. Director Warren noted that he is working on finding election officials. 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 adopt the Order Calling Directors Election, a copy of which is attached hereto.

DETERMINE CANVASSING DATE

Ms. Dold next asked the Board to select a date for canvassing the election returns of the May 10, 2014 Directors Election. 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 canvass the election returns on Tuesday, May 20, 2014, at 6:00 p.m.

DISCUSS, APPROVE AND AUTHORIZE EXECUTION OF RENTAL EQUIPMENT AND SALE OF SERVICES AGREEMENT WITH ELECTION SYSTEMS AND SOFTWARE (THE "ES&S AGREEMENT")

Ms. Dold next presented the ES&S Agreement for the Board's approval. Ms. Dold stated that the ES&S Agreement provides for one early voting iVotronic voting machine and related equipment and one iVotronic voting machine and related equipment for election day, at a cost of \$3,986. 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 and authorize execution of the ES&S Agreement, a copy of which is attached hereto.

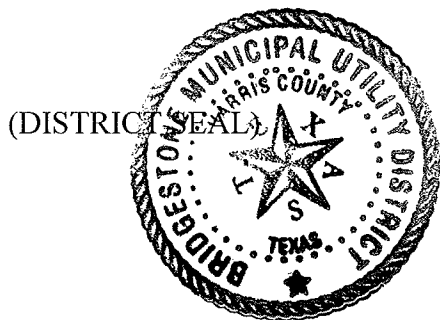
MISCELLANEOUS MATTERS

Director Warren stated that he serves on the Campus Instructional Development Committee for Roth Elementary School ("Roth"). Director Warren reported that Roth wants to coordinate a fundraiser to obtain funds to construct a jogging trail on campus and wants to know if the Board can donate funds. Ms. Dold stated that the Kuehnle Elementary School PTO recently approached the Bilma Public Utility District Board. Ms. Dold informed the Board that the Klein Independent School District Education Foundation offers grants of up to \$25,000 for such improvement projects.

Ms. Dold then noted that the Board's next regular meeting will be scheduled for Tuesday, March 18, 2014, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 18th day of March, 2014.




Secretary, Board of Directors