

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

March 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, March 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
John "Skip" W. 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. John Howell of The GMS Group, L.L.C. ("GMS Group"), financial advisors for the District; Mr. Noel Barfoot of McCall Gibson Barfoot PLLC ("MGSB"), auditor for the District; Ms. Tiffany Roath of Texas Investment & Development Company, Inc., developer of the Bridgestone Lakes, Senterra Lakes and Villages of Senterra Lakes ("VOSL"), subdivisions within the District; Mr. Robert Daigle, Land Development Project Manager of DR Horton, developer of The Sanctuary Veritas subdivision within the District; Sergeant George Beck 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; Mr. and Mrs. Mohammad Ahmed, owners of the Dairy Queen site adjacent to the Kroger Signature Center off Kuykendahl Road; Mr. Bill Farris, a commercial realtor representing Mr. and Mrs. Ahmed; Mr. Sam Khazzoum, P.E., of SEK Engineering, engineer for the Dairy Queen project; Mr. Allen Buchino, owner of 1.539-acre commercial tract on Kreinhop Road; Mr. John R. Jones, attorney for the owners of a 10.069-acre tract on Kreinhop Road ("Luxury Warehouse Tract"); Mr. Ross Palacios, P.E., of RP & Associates, engineer for the owner of the Luxury Warehouse tract; Mr. George Hronas of MEP Construction Service, contractor for the owner of the Luxury Warehouse tract; and Ms. Robin S. Bobbitt, 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

Sergeant Beck then presented the monthly Constable's Report. Sergeant Beck reported that the theft of tires and wheels continues in the District. Sergeant Beck further reported that shop lifting continued to be a problem at the Walmart.

Sergeant Beck 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. 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 take the following actions on the Consent Agenda items: 1) approve the minutes of the regular meeting of February 18, 2014, as written; 2) approve payment of Pay Estimate No. 2 in the amount of \$29,642.96 from Bay Utilities, LLC, in connection with construction of the water, sewer and drainage improvements to serve VOSL, Section 2; 3) authorize execution of the Gulf South Pipeline Agreement 5760 in connection with the crossing of a 12-inch water line; and 4) authorize execution of three (3) sanitary sewer easement agreements to benefit the Dairy Queen project.

BOND ISSUE AGENDA

DISCUSS APPROVAL OF DISTRICT'S WATERWORKS AND SEWER SYSTEM COMBINATION UNLIMITED TAX AND REVENUE BONDS, SERIES 2014 (THE "SERIES 2014 BONDS")

Mr. Howell reported that the District's Bond Application Report No. 12 had been reviewed and approved by the Texas Commission on Environmental Quality (the "TCEQ") on March 9, 2014. Mr. Howell next handed out a tax analysis for the Board's review, a copy of which is attached hereto. Mr. Howell informed the Board that his analysis confirms that the District can issue the entire \$4,040,000 Series 2014 Bonds approved by the TCEQ without raising the District's current tax rate.

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

Mr. Howell next stated that the Board's next meeting is April 15th, but noted that he does not price bonds on April 15th and suggested that the Board schedule a special meeting on April 22nd or 29th to price the bonds and to hold a special meeting to review and approve the sale of the bonds. Mr. Howell briefly discussed the procedures for the sale and award of bids for same.

Messrs. Daigle and Hronas then entered the meeting at 6:12 p.m.

REVIEW AND APPROVE PRELIMINARY OFFICIAL STATEMENT FOR SERIES 2014 BONDS

Mr. Howell then reviewed a draft of the Preliminary Official Statement (the "POS") for the Series 2014 Bonds, a copy of which is attached hereto. Mr. Howell noted that the District has a Standard & Poors rating of A and stated that he did not know if the purchaser of the bonds will want the bonds insured or not.

Mr. and Mrs. Ahmed, Mr. Khazzoum, and Mr. Rowe then entered the meeting at 6:22 p.m.

Mr. Howell informed the Board that Mr. Neil Thomas of Norton Rose Fulbright will serve as disclosure counsel for the sale and issuance of the Series 2014 Bonds.

Ms. Bobbitt then entered the meeting at 6:26 p.m.

Mr. Barfoot then inquired when Mr. Howell would need the December 31, 2013 audit report to include in the POS and Official Statement. Mr. Howell indicated that he would need it within 10 days. Mr. Barfoot stated that he can have the final audit report ready by that time.

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 up to \$4,040,000 to be offered for sale, subject to final review and approval by GMS Group and JRPB.

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 POS and to adopt an Order Adopting Official Notice of Sale and Bond Form, Authorizing Distribution Thereof, and of POS, and Authorizing Publication of Notice of Sale of Series 2014 Bonds., a copy of all of which is attached hereto.

Mr. Peterson stated that Jones & Carter will run new Reimbursement Calculation Worksheets on all of the projects included in the BAR No. 12.

REGULAR AGENDA

REVIEW AND APPROVE AUDIT REPORT FOR FISCAL YEAR ENDED DECEMBER 31, 2013

Mr. Barfoot then distributed copies of the draft audit report for the fiscal year ended December 31, 2013 (the "Audit") to review with the Board, a copy of which is attached hereto. Mr. Barfoot reported that MGSB has issued a clean audit opinion for the District. Mr. Barfoot noted that the District maintains a very healthy General Operating Fund. 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 Audit and to authorize filing the Audit and Affidavit with the appropriate governmental authorities.

REVIEW AND APPROVE REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONSTRUCTION, ENGINEERING AND REIMBURSEMENTS FROM SURPLUS OPERATING REVENUE (THE "AUP") TO VOSL, LP

Mr. Barfoot next reviewed the third and final AUP for the reimbursement to VOSL, LP and First Continental Investment Co., Ltd. for VOSL, Section 1, a copy of which AUP is attached hereto. Mr. Barfoot noted that the Harris County Appraisal District had omitted \$2,438,000 from the VOSL appraised values and the resulting revised reimbursement calculation worksheet increased the amount eligible for reimbursement from 92.1% to 100%, resulting in a reimbursement of \$288,057.94. 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 AUP and authorize payment of \$288,057.94 to VOSL, LP and First Continental Investment Co., Ltd.

Ms. Bobbitt noted to the Board that Ms. Roath had presented a check in the amount of \$5,112.50 to the bookkeeper representing funds owed to Project Surveillance, Inc. for inspection services. Ms. Bobbitt informed the Board that Jones & Carter had indicated that there was no construction activity since November 15, 2013, and yet the District was receiving invoices for inspection services. Ms. Bobbitt then recommended that the Board consider terminating the agreement between Project Surveillance, Inc. and the District. Ms. Bobbitt stated that the agreement has a 30-day termination clause. 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 JRPB to prepare a termination letter and to hold the check to Project Surveillance in the amount of \$6,720 until Ms. Bobbitt had talked with Mr. Brian Cunningham of Project Surveillance.

Ms. Bobbitt stated that the Board action tonight would be ratified at the upcoming special meeting on March 25, 2014.

ADOPT RESOLUTION AUTHORIZING REIMBURSEMENT OF COSTS FOR CONSTRUCTION OF FACILITIES TO SERVE VOSL, SECTION 1 FROM DISTRICT'S SURPLUS OPERATING REVENUE (THE "RESOLUTION")

Ms. Bobbitt then presented the Resolution for the Board's review and approval and noted that the \$288,057.94 reimbursement to VOSL, LP would be paid from surplus operating revenue contained in the District's General Operating Fund. 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 adopt the Resolution and authorize payment of the reimbursement to VOSL, LP from surplus operating revenue in the District's General Operation Fund. A copy of the Resolution is attached as an exhibit.

Mr. Barfoot then exited the meeting at 6:53 p.m.

TAX ASSESSOR/COLLECTOR'S REPORT

Director Marks then called on Ms. Hall, who presented the Tax Assessor/Collector's Report for the month of March, a copy of which is attached hereto. Ms. Hall reported that 96.6% of the District's 2013 taxes had been collected. 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.

DELINQUENT TAX ATTORNEY'S REPORT

Ms. Hall next reviewed the Delinquent Tax Attorney's Report, a copy of which is attached hereto. Director Warren then asked if account no. 4 under Section I of the report will be terminated. Ms. Hall responded that the account would have water service terminated if a tax payment was not received at the end of the work day. 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.

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 reported that The Bank of New York Mellon has increased the transaction service fee on the District's Series 2009-B Bonds from \$500 to \$750. A copy of the letter notifying the District is attached hereto.

Ms. Cole noted that she was adding a second check to VOSL, LP in the amount of \$110,412.94 to make up the difference between check no. 14572 (\$177,645) and the final reimbursement amount (\$288,057.94).

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.

AUTHORIZE BOARD TO ATTEND ASSOCIATION OF WATER BOARD DIRECTORS – TEXAS (THE "AWBD") SPRING BREAKFAST ON APRIL 8, 2014, AND ANNUAL CONFERENCE IN FORT WORTH, TEXAS JUNE 12-14, 2014

Directors Steffes, Warren and Draper stated that they want to attend the April 8th Spring Breakfast and all five (5) directors stated that they want to attend the Annual Conference. 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 authorize attendance at both AWBD functions.

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

Ms. Briley then asked the Board if they had reached any decision regarding the request she made to the Board at the February 18th meeting. Director Warren responded that his research shows that the residents along the Spinks Creek and Slippery Creek roads are not very interested in having a dog park. Director Warren added that the District does not have acreage or funds to construct a dog park. Director Warren stated that he feels the Board should stick to water, sanitary sewer and drainage matters. Director Schkade then stated that he believes the Board should hold off and observe other dog parks that are being constructed in the area. 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 table the matter until next year. Ms. Briley noted that she had found a sponsor to erect a fence and to pay for the maintenance of a dog park in the District.

Ms. Briley then thanked the Board and exited the meeting at 7:12 p.m.

DIRECTOR'S INSPECTION REPORT

Director Draper reported that he and Mr. Staab had inspected the District's facilities on March 12, 2014; a copy of his written report is attached hereto. Director Draper reported that the facility sites were in very good condition. Director Draper reported that the Spring Terrace Detention Pond had issues due to vandalism.

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 Director's Inspection Report.

OPERATOR'S REPORT

Mr. Staab then reviewed the Operator's Report for the month of February, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 94.3%. Mr. Staab noted that there were 28 cut-offs, five (5) of which remain off. Mr. Staab further reported that the District currently has 6,007 active connections.

Mr. Howell then exited the meeting at 7:25 p.m.

Mr. Rowe reported that \$2,274.56 had been sent to the collection agency and \$27.42 is being written off.

Mr. Staab reported that the Board received a letter from the TCEQ reminding the District that the majority of Texas continues to be affected by persistent drought conditions and encouraging increased water conservation measures within the District. A copy of the letter is attached as an exhibit.

Next, Mr. Staab informed the Board that contacts on lift pump no. 2 at Lift Station No. 7 failed and caused the lift pump to single phase. Mr. Staab reported that the lift pump has been pulled for repairs.

Mr. Staab reminded the Board that the Mueller Mi.Net presentation would be given at the special meeting on Tuesday, March 25th.

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

DISCUSS EXTENSION OF SERVICE TO THE 10.069-ACRE AND 1.539-ACRE KREINHOP ROAD TRACTS AND REIMBURSEMENT OF CONSTRUCTION COSTS FOR PROJECT

Mr. Lee explained that Jones & Carter prepared a feasibility study for the annexation of the 10.069-acre and, subsequently, Mr. Bucchino asked that the 1.539-acre tract be annexed by the District. Based on this request, Mr. Lee noted that he revised the feasibility study for the 10.069-acre tract to include the 1.539-acre tract. Mr. Lee went on to explain that Jones & Carter has now been informed the two (2) tracts will be developed by the same entity.

Mr. Lee next reported that construction on the 10.069-acre tract (now owned by Freeman Holdings of Texas, LLC ["Freeman Holdings"]) is underway and is approximately four (4) months from completion. Mr. Lee stated that in late February, WDM attempted to locate the water line reflected in the District's records that was intended to be used to supply water to the 10.069-acre tract and it became evident that the water line had never been constructed.

Mr. Lee informed the Board that Jones & Carter recalculated the cost estimate for the 10.069-acre tract to construct a 12-inch and an 8-inch water line, the facilities necessary to serve the development, and the costs inserted from \$79,425 to \$216,000. Mr. Lee noted that Freeman Holdings had not budgeted for such an increased amount. Mr. Lee noted that because the water lines will service two (2) properties, the eligible costs for such facilities will be reimbursable to the developers.

Mr. Lee estimated that construction will take approximately six and one-half (6½) months to complete. Mr. Lee suggested that each developer pay a pro-rata share of the construction costs.

Mr. Lee also noted that the developer of the 10.069-acre tract desires a source of temporary water as soon as possible. Mr. Lee stated that if Mr. Fred Grundmeyer, the owner of the golf driving range adjacent to the 10.069-acre tract, would grant a temporary water line easement across his property, the District could supply the 10.069-acre tract with a temporary above-ground water pipe from the District's water line on Bridgestone Lane.

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 extend the 12-inch and 8-inch water lines at the District's cost to the 10.069-acre tract and authorize Jones & Carter to

assist in arranging for a temporary above-ground water line across Mr. Grundmeyer's tract adjacent to the 10.069-acre tract.

Mr. Jones then asked for clarification regarding the payment of the water line extension. Ms. Bobbitt informed him that the District has assumed the responsibility for the cost of the permanent water line to serve the 10.069-acre tract and the 1.539-acre tract.

Messrs. Bucchino, Palacios and Hronas then exited the meeting.

Mr. Lee reported that the design for the decanter centrifuge at the Wastewater Treatment Plant (the "WWTP") is progressing and that Jones & Carter plans to advertise for the decanter centrifuge in June.

Mr. Lee reported that Jones & Carter inspected the seven (7) offsite lift stations and the WWTP on March 10, 2014. Mr. Lee stated that he will present the cost estimate at the April meeting.

Mr. Lee noted that Jones & Carter will present the Water Plant efficiency evaluation at the April meeting.

Mr. Lee then reported that Jones & Carter is designing the sanitary sewer extension on Kuykendahl Road to serve the proposed Dairy Queen. 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 advertise for bids for the extension of the sanitary sewer line to serve Dairy Queen.

Mr. Lee stated that he was working with JRPB to obtain the necessary easements from Milestone Properties for the sanitary sewer line to Dairy Queen. Mr. Khazzoum asked if the developer could make a temporary tie-in to the force main. Mr. Lee explained that they cannot tie into a pressurized force main.

Messrs. Webb, Khazzoum and Farris and Mr. and Mrs. Ahmed then exited the meeting at 7:55 p.m.

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. Lee next informed the Board that the emergency interconnect line with Bilma Public Utility District is nearing completion, with the final work item to complete being installation of the meter.

Mr. Lee reported that the District received an inquiry from Ince Engineering, LLC on behalf of Planet Ford to determine if the District could provide capacity in their WWTP. Mr. Lee stated that the capacity is not available. Upon motion by Director Schkade, seconded by Director Draper, after full discussion and the question being put to the Board, the Board authorized Jones & Carter to respond to Planet Ford that sewer capacity is not available from the District.

Mr. Lee then noted that Jones & Carter inspected the projects that are included in Bond Issue No. 12 on March 13th and they are working with WDM on a punch list for repairs prior to the pre-purchase inspection by the TCEQ.

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 Engineer's Report and to authorize Jones & Carter to prepare the annual water loss audit for submission to the Texas Water Development Board.

REVIEW CORRESPONDENCE RECEIVED FROM AWBD REGARDING PARTICIPATION IN THE GOLDWATER PROJECT WATER CONSERVATION STUDY

Ms. Bobbitt reported receipt of the correspondence, a copy of which is attached to the minutes, and briefly explained that the Goldwater Project is accumulating data from utility districts to help determine the impact of various water conservation efforts. Director Warren stated that the schools need to cut their water usage and change their landscaping to zero maintenance plantings. Ms. Bobbitt asked WDM to review what information The Goldwater Project is requesting and report at the April meeting.

DEVELOPER'S REPORT

Ms. Roath reported that there are two (2) vacant lots in VOSL, Section 2, 28 homes built in VOSL, Section 4, and 14 homes completed and eight (8) homes under construction in VOSL, Section 5.

Concerning The Sanctuary Veritas, Mr. Daigle reported that DR Horton has closed the sale of 50 homes.

ATTORNEY'S REPORT

Ms. Bobbitt 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 was sent to the Church for signature, but has not been returned.

STATUS OF ACQUISITION OF WATER LINE EASEMENTS ON SPRING STUEBNER ROAD

Ms. Bobbitt reported that JRPB continues negotiations regarding the acquisition of the water line easements on Spring Stuebner Road.

SUPPLEMENTAL ELECTION AGENDA

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

ADOPT ORDER DECLARING UNOPPOSED CANDIDATES ELECTED TO OFFICE AND CANCELING ELECTION (THE "ORDER")

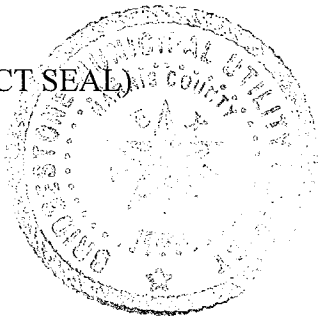
Ms. Dold reported that the deadline for filing candidate applications was February 28, 2014, and no candidate applications had been received from anyone other than the two (2) incumbent directors. Ms. Bobbitt noted that pursuant to Section 2.053 of the Texas Election Code, as amended, the Board has the authority to declare the unopposed candidates elected to office and cancel the May 10, 2014 election. 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 Order. Ms. Dold stated that the Order would be posted at the Jerry Thomas Center on or before May 10, 2014.

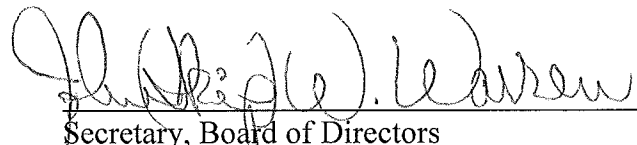
Ms. Dold then noted that the Board's next regular meeting will be scheduled for Tuesday, April 15, 2014, at 6:00 p.m.

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

PASSED, APPROVED AND ADOPTED this 15th day of April, 2014.

(DISTRICT SEAL)




Secretary, Board of Directors