

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

May 20, 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, May 20, 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. ("MCI"), bookkeeper for the District; Ms. Pat Hall of Equi-Tax, Inc., tax assessor/collector for the District; Mr. 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; Ms. Marsha Jan of McCall Gibson Swedlund Barfoot PLLC, auditors for the District; Mr. Jeff Beard of J. Beard Real Estate Company, broker of a 1.0-acre commercial tract on the northeast corner of Northcrest Drive and Kuykendahl Road; Mr. John R. Jones, attorney representing Freeman Holdings of Texas LLC ("Freeman Holdings"), developer of 10.069-acre commercial tract on Kreinhop Road; Mr. Gray Turner of Terra Venture, representing Freeman Holdings regarding the possible annexation of a 12.496-acre commercial tract on FM 2920; Mr. Bob Hudson and 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 of DR Horton, developer of The Sanctuary Veritas subdivision within the District; Lieutenant David Mayes of the Harris County Precinct 4 Constable's Office; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association and resident of the District; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Johnson Radcliffe Petrov & Bobbitt PLLC, 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 first presented the monthly Constable's Report, a copy of which is attached hereto.

Lieutenant Mayes 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 Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of the regular meeting of April 15, 2014, as written; and the minutes of the special meeting of March 25, 2014, as written.

REGULAR AGENDA

CONSIDER REQUEST FOR UTILITY CAPACITY FOR A 1.15-ACRE TRACT LOCATED OUTSIDE THE BOUNDARIES OF THE DISTRICT AND AUTHORIZE ANNEXATION FEASIBILITY STUDY

Mr. Lee then introduced Mr. Beard and reported that the 1.15-acre tract of land is located on the northeast corner of Northcrest Drive and Kuykendahl Road. Mr. Lee reported that Mr. Beard had brought his application for service/annexation and the \$3,000 feasibility deposit to the meeting. Mr. Beard reported that his client intends to build a restaurant on the tract. 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 prepare an annexation feasibility study for the 1.15-acre tract.

CONSIDER REQUEST FOR UTILITY CAPACITY FOR A 12.496-ACRE TRACT LOCATED OUTSIDE THE BOUNDARIES OF THE DISTRICT AND AUTHORIZE ANNEXATION FEASIBILITY STUDY

Mr. Lee then reported that Freeman Holdings is negotiating with Mr. Fred Grundmeyer to purchase the 12.496-acre tract on FM 2920 where the golf driving range is located and would like to annex the property into the District. Mr. Lee noted that the District is in receipt of the service/annexation application and \$3,000 feasibility deposit from Freeman Holdings. The Board reviewed the preliminary land plan for the development of the tract, a copy of which is attached to the Engineer's Report. 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 Jones & Carter to prepare an annexation feasibility study for the 12.496-acre tract.

Messrs. Beard and Jones then exited the meeting.

ACCEPT AND AUTHORIZE EXECUTION OF ANNEXATION AND SERVICE AGREEMENT, PETITION FOR ANNEXATION OF LAND AND PETITION FOR CITY CONSENT TO ANNEX LAND CONCERNING 1.539-ACRE TRACT LOCATED ON KREINHOP ROAD

Mr. Polley then reported that the executed annexation documents had been received from Howard Management Services L.P./Bucchino Partnership concerning the annexation of a 1.539-acre tract located on Kreinhop Road, across from the 10.069-acre tract owned by Freeman Holdings. 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 and authorize execution of the Annexation and Service Agreement, Petition for Annexation of Land and the Petition for City Consent to Annex Land, copies of which are attached as exhibits to these minutes.

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 reviewed her report and stated reported that 98.1% 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. 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 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 District received \$189,380.23 in tap revenues and that \$64,431.14 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.

Ms. Cole then presented wire transfers for the developer reimbursables from the proceeds of the District's \$4,040,000 Series 2014 Bonds that are scheduled to close on May 29, 2014. Ms. Cole noted that the wires would not be released by MCI until the District received proceeds from the Series 2014 Bonds.

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 Bookkeeper's Report, the investment report, and the payment of the checks reflected therein.

CONSIDER AMENDED AND RESTATED AGREEMENT FOR BOOKKEEPING SERVICES WITH MCI (THE "AGREEMENT")

Ms. Cole then presented the proposed Agreement for the Board's review. Ms. Cole noted that the Agreement proposes to increase the hourly rate from \$50 per hour to \$65 per hour, and reflects a monthly flat fee of \$4,500. Ms. Cole further explained that Exhibit A to the Agreement details and defines the non-recurring service items, which includes projects associated with bond fundings and capital projects and specifies a fee for those types of services. 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 Agreement, a copy of which is attached hereto.

REVIEW AND ADOPT AMENDED AND RESTATED ORDER DESIGNATING INVESTMENT OFFICER AND ESTABLISHING RULES, POLICIES, AND CODE OF ETHICS FOR THE INVESTMENT OF DISTRICT FUNDS AND REVIEW OF INVESTMENTS ("INVESTMENT POLICY")

Mr. Polley then reported that the amendment to the District's Investment Policy was minor and involved adding a statement regarding an existing requirement that settlement of all transactions, except investment pools, be made on a delivery versus payment basis. Mr. Polley noted that the amendment adds a recital on the first page and adds Section 5.11, Settlement of Transactions, to page 14. 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 Investment Policy, a copy of which is attached as an exhibit.

DIRECTOR'S INSPECTION REPORT

Director Warren reported that he and Mr. Staab had inspected the District's facilities this month. Director Warren reported that the fences at Lift Station Nos. 1 and 7 need to be upgraded. Director Steffes agreed and suggested that fence upgrades throughout the District should be budgeted over the next five (5) years to achieve a coordinated appearance in all subdivisions of the District. A discussion ensued over the pros and cons of Fencecrete for the replacement fences. The Board concurred that WDM should obtain cost estimates for the replacement of the Lift Station Nos. 1 and 7 fences.

Director Warren then commented that the Gosling Road entrance to Lift Station No. 4 was difficult to navigate. Director Steffes noted that there is another entrance to the north of the lift station.

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 Director's Inspection Report.

OPERATOR'S REPORT

Mr. Rowe reported that the District's 2013 Consumer Confidence Report will be forwarded to the Board for final review as soon as the Texas Commission on Environmental Quality (the "TCEQ") template for same is received. Mr. Rowe reported that there were 27 accounts on the Delinquent Cut-Off List and that service to 14 accounts was terminated for non-payment. In addition, Mr. Rowe reported that two (2) accounts were written off in an amount totaling \$14.88, and seven (7) accounts were sent to the collection agency. Mr. Rowe further reported that the District's Homeland Security contact list had been updated and sent to the TCEQ, as well as the Annual Water Audit which had been filed with the TCEQ. Mr. Rowe noted that the District received tap fees from the Millcreek Apartment development, Parkside Apartment development and the Sprout's development.

Mr. Staab then reviewed the Operator's Report for the month of April, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 90.5%. Mr. Staab further reported that the District currently has 6,069 active connections. Mr. Staab then recommended that during the summer months, the Board authorize WDM to split the District's water system into two (2) separate pressure planes, one (2) with surface water and the other with groundwater in order to manage water quality, as they have done in the past.

Concerning the District's Wastewater Treatment Plant (the "WWTP"), Mr. Staab reported that the four (4) Hach Sc 100 controllers require maintenance. Mr. Staab explained that the Board could enter into a Field Service Partnership with Hach at a cost of \$3,692 per year to maintain the equipment or replace the four (4) controllers with newer models (Sc 200) at a cost of \$1,800 per unit, plus installation, with a one (1) year warranty. 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 replace the four (4) units with Hach Sc 200 controllers. Mr. Staab noted that it will take approximately one (1) month to replace the units.

Upon motion by Director Draper, 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 WDM to separate the District's water distribution system into two (2) pressure planes for the summer.

Ms. Hall and Ms. Cole then exited the meeting at 6:46 p.m.

ENGINEER'S REPORT

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

Mr. Lee requested the Board's authorization for Jones & Carter to renew and file the Springbrook Detention Basin Storm Water Quality Permit.

Mr. Lee reported that Jones and Carter completed the design of the sanitary sewer extension on Kuykendahl Road to serve the proposed Dairy Queen and has been working with JRPB to acquire the necessary sanitary sewer easements. Mr. Lee stated that the owner of the medical facility south of the Dairy Queen, Erazo Realty Limited Partnership ("Erazo"), refused

to grant an easement to the District. Mr. Lee informed the Board that the owner of the Dairy Queen had decided to proceed with an on-site private grinder pump lift station and private force main that flows into a public sanitary sewer manhole located behind Kroger Signature Center. Mr. Polley recommended that another attempt to acquire the sanitary sewer easement from Erazo. 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 the engineers and attorneys to approach Erazo to obtain the easement.

Mr. Turner then exited the meeting at 6:50 p.m.

Mr. Lee then reported that the final inspection was conducted on April 30th regarding the construction of the emergency interconnect with Bilma Public Utility District and the project is complete.

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 Engineer's Report and authorize Jones & Carter to renew the Springbrook Detention Basin Storm Water Quality Permit.

DEVELOPER'S REPORT

Ms. Roath then reported that VOSL Section 1 has one (1) vacant lot remaining, VOSL Section 2 is under construction, VOSL Section 4 has two (2) houses under construction and 29 houses completed, and VOSL Section 5 has six (6) houses under construction and 21 houses have been completed. Mr. Hudson stated that Ms. Roath will oversee the final development of the VOSL subdivision. Mr. Hudson then noted that he has been working with the District since 2000 and thanked the Board for the years of cooperation.

Mr. Hudson and Ms. Roath then exited the meeting at 6:59 p.m.

Mr. Daigle then reported that two (2) houses closed this month in The Sanctuary Veritas subdivision, for a total of 57 houses that have closed and seven (7) houses under construction.

REVIEW AND APPROVE REPORT ON APPLYING AGREED-UPON PROCEDURES TO CONSTRUCTION, ENGINEERING AND RELATED COST REIMBURSEMENT TO GOSLING ROAD DEVELOPMENT CO, INC. (DEVELOPER), FIRST CONTINENTAL INVESTMENT CO. LTD (ASSIGNEE) AND K. HOVNANIAN OF HOUSTON II, L.L.C. (SUBORDINATE ASSIGNEE) AND NORTHCREST 2920, LP ("AUP") AND AUTHORIZE PAYMENT OF AMOUNTS REFLECTED IN SAME UPON FUNDING OF THE DISTRICT'S SERIES 2014 BONDS

Ms. Jan then reviewed the draft of the AUP for the developer reimbursements from the proceeds of the District's Series 2014 Bonds, a copy of which is attached hereto. Ms. Jan reviewed Schedule A of the AUP and explained that K. Hovnanian qualified for 100% reimbursement in the amount of \$1,933,027.77, which includes developer interest in the amount of \$226,878.65, and noted that \$94,840.79 (10%) of that amount will be withheld for storm sewer maintenance pending acceptance of the storm sewer facilities by Harris County, resulting in a reimbursement of \$1,838,186.98 on August 29th.

Ms. Jan next reviewed Schedule B of the AUP and stated that Northcrest 2920, LP and Woodforest National Bank qualified for 100% reimbursement in the amount of \$1,484,046.17, which includes interest on construction costs in the amount of \$81,526.45 and interest on land costs in the amount of \$165,460.22, to be reimbursed as follows: \$876,170.80 to Woodforest National Bank and \$607,875.37 to Northcrest 2920, LP.

Ms. Jan stated that \$27,484.55 will be transferred to the District's Operating Fund and there will be \$255,592 in surplus funds. Ms. Jan stated that the surplus funds result from the interest on the bonds being lower than what was estimated.

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 MCI to release the wire transfers for reimbursement to K. Hovnanian, Northcrest 2920, LP, and Woodforest National Bank on August 29th, upon the District's receipt of the proceeds of the Series 2014 Bonds.

ATTORNEY'S REPORT

Mr. Polley 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. He surmised that the church is getting its funding in place.

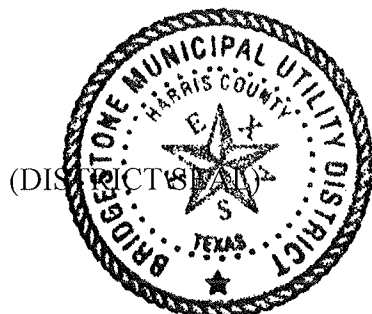
Regarding the acquisition of the water line easements on Spring Stuebner Road, Mr. Polley reported that the spouse of an owner has recently died and the property is in probate. Mr. Polley stated that it will probably be more efficient to do a "friendly" condemnation to acquire the easement, rather than wait for the completion of the probate process.

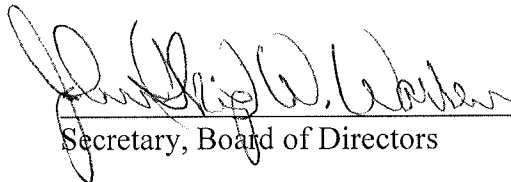
Mr. Polley then discussed the changes that would occur on June 1st regarding JRPB. Mr. Polley noted the firm's new name of Radcliffe Bobbitt Adams Polley PLLC and stated that the same people will continue to represent the District. The Board congratulated Mr. Polley on becoming a member in the firm.

Mr. Polley then noted that the Board's next regular meeting will be scheduled for Tuesday, June 17, 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 17th day of June, 2014.




Secretary, Board of Directors