

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

December 16, 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, December 16, 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, except Director Steffes, thus constituting a quorum. Director Steffes intermittently monitored the meeting via conference call. 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. and Ms. Sherry Grant, 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. David Aguilar of Republic Services of Houston ("Republic"), garbage and recycling collection provider for the District; Ms. Tiffany Roath of VOSL, LP, developer of the Villages of Senterra Lakes ("VOSL") subdivision within the District; Mr. Robert Daigle of DR Horton, developer of The Sanctuary Veritas subdivision within the District; Lieutenant Steve Ener and Sergeant Michael Cohen of the Harris County Precinct 4 Constable's Office; Mr. Mark Terpstra of Caldwell Companies regarding the proposed development of a 39.8 commercial and multifamily development; Mr. Doug Hodges of ADG Construction, accompanying Mr. Terpstra; Ms. Amity McCarthy of Third Generation Development; Mr. Ghandi Saad, P.E. of RSG Engineering representing Mr. Saman Balajelini, the owner of property located at 20621 Kuykendahl Road; Ms. Ginevra Liquitay, architect for Mr. Balajelini's proposed retail development; Mr. Carles Webb, Vice President of the Bridgestone Homeowners Association ("HOA") and resident of the District; Ms. Sharon Kurzy and Ms. Janet Barksdale, residents of the District; and Mr. Jonathan D. Polley, attorney, and Ms. Brooke T. Dold, paralegal, of Radcliffe Bobbitt Adams Polley 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 Ener first presented the monthly Constable's Report, a copy of which is attached hereto. Lieutenant Ener reported that most of the criminal activity was at the Walmart center.

Lieutenant Ener and Sergeant Cohen then exited the meeting at 6:04 p.m.

PUBLIC COMMENT

Ms. Kurzy extended her thanks to the great job the constables were doing in the District.

REGULAR AGENDA

Mr. Aguilar reported that Republic will deliver the 96-gallon trash carts to the subdivisions within the District that will begin automated garbage collection service at the beginning of 2015. Mr. Aguilar also reported that Republic recycling bins will be delivered to all customers the first week of January. Mr. Aguilar stated that Republic will provide information for WDM to include in customer bills and post on the District's website and will pass out garbage and recycling collection information flyers with the delivery of the carts and bins. The Board determined that residents can retain the Residential Recycling of Texas, Inc. recycling bins.

Mr. Aguilar then exited the meeting at 6:12 p.m.

DEVELOPER'S REPORT

Ms. Roath thanked the Board for letting her give her report early. Ms. Roath reported that the build out in VOSL, Section 5 is complete. Concerning VOSL, Section 2, Ms. Roath reported that 11 houses are under construction and noted that Colina Homes is taking down additional lots.

Ms. Roath then exited the meeting at 6:15 p.m.

BOOKKEEPER'S REPORT

Ms. Cole next reviewed the Bookkeeper's Report, 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 payment from the City of Houston (the "City"), in the amount of \$85,107.69, for the District's share of sales tax revenue in connection with the District's Strategic Partnership Agreement with the City. Ms. Cole also reported that the District received \$40,492.75 in tap revenues.

Mr. Polley explained that MCI will require additional information from the developers concerning how the true-up reimbursement payment of \$76,500 for the increased assessed valuations in the Spring Terrace subdivision is to be divided. Ms. Cole asked the Board to

authorize MCI to hold two (2) wire transfers pending receipt of payment instructions from the developers.

Ms. Cole noted that a copy of the proposed budget for fiscal year ending December 31, 2015 ("2015 Budget") was attached to the Bookkeeper's Report for the Board's review and approval, and reminded the Board that they reviewed the budget in greater detail at their November 18, 2014 meeting.

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 therein, and to adopt the 2015 Budget.

CONSENT AGENDA

Director Marks then reviewed with the Board the items reflected on the Consent Agenda. Director Marks explained that this portion of the agenda deals with routine matters of the Board, and that no separate discussion of such items will occur unless a Board member requests that an item be moved to the regular portion of the agenda. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to 1) approve the minutes of the special meeting of November 8, 2014, the regular meeting of November 18, 2014, and the executive session meeting of November 18, 2014; and 2) approve the following pay estimates: a) Pay Estimate No. 1, in the amount of \$69,787, from Scohil Construction Services, LLC, in connection with the 12-inch Water Line Extension Across Water Plant No. 4 Site; b) Pay Estimate No. 1, in the amount of \$21,600, from T & C Construction, Ltd., in connection with Lift Station Nos. 1-7 Rehabilitation; and c) Pay Estimate No. 1, in the amount of \$137,077.77, from A Absolute Plumbing Inc., in connection with construction of the Kreinhop Water Line Extension.

REGULAR AGENDA (CONTINUED)

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of November, a copy of which is attached hereto. Ms. Hall reviewed her report and stated that 4.1% of the District's 2014 taxes had been collected. 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 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 with the Board, a copy of which is attached hereto. Upon motion by Director Warren, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Delinquent Tax Attorney's Report.

ADOPT RESOLUTION AUTHORIZING REIMBURSEMENT OF COSTS FOR CONSTRUCTION OF FACILITIES FROM DISTRICT'S SURPLUS OPERATING REVENUE (THE "RESOLUTION")

Mr. Polley then reviewed the Resolution with the Board, a copy of which is attached hereto. Mr. Polley noted that the Resolution authorizes the use of \$260,830.92 surplus operating revenues to make developer reimbursements for constructions of facilities as follows: 1) a true-up reimbursement to the developers of Spring Terrace subdivision, in the amount of \$76,500; 2) reimbursement to KM-TS Partners, LP ("KM-TS"), in the amount of \$56,674.72, in connection with the extension of water and sanitary sewer lines along FM 2920; and 3) reimbursement to Third Generation Development, L.P. ("Third Generation"), in the amount of \$127,656.20 in connection with the extension of water and sanitary sewer lines along FM 2920. 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.

REVIEW AND APPROVE REPORT ON AGREED-UPON PROCEDURES TO CONSTRUCTION, ENGINEERING AND RELATED COST REIMBURSEMENTS FROM SURPLUS OPERATING REVENUE ("AUP") AND AUTHORIZE TRUE-UP REIMBURSEMENT FOR FACILITIES TO SERVE SPRING TERRACE SUBDIVISION, AND DEVELOPER REIMBURSEMENTS FOR KM-TS AND THIRD GENERATION

Mr. Polley first reviewed the AUP concerning the developer reimbursements to KM-TS and Third Generation, as prepared by Ms. Marsha Jan of McCall Gibson Swedlund Barfoot PLLC ("MGSB"), a copy of which is attached hereto. Mr. Polley reported that KM-TS is eligible for a reimbursement of \$56,674.72 and Third Generation is eligible for a reimbursement of \$127,656.20. 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 AUP for and authorize payment of the developer reimbursements to KM-TS and Third Generation.

Mr. Polley next reviewed the AUP concerning the true-up reimbursement of \$76,500 to MHI Partnership, Ltd. and Centex Homes, the developers of Spring Terrace subdivision, as prepared by Ms. Jan of MGSB, a copy of which is attached hereto. Mr. Polley reported that due to the increase of assessed value in the Spring Terrace subdivision the developers were eligible for an additional reimbursement of \$76,500 from the proceeds of the District's Series 2009-A Bonds. Mr. Polley then reported that prior to releasing the \$76,500 reimbursement to the developers of Spring Terrace subdivision, MCI requires a letter of instruction from them concerning the amounts to be paid to each of the developers. Ms. Cole stated that she had prepared two (2) blank wire transfers for the Board's execution that MCI will hold pending receipt of the letter of instruction. 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, authorize execution of the two (2) wire transfers, and to authorize release of the true-up reimbursement pending receipt of the letter of instruction.

CONSIDER REQUESTS FOR SERVICE AND/OR ANNEXATION AND AUTHORIZE PREPARATION OF FEASIBILITY STUDIES

Mr. Terpstra handed out an aerial map exhibit to the Board that showed the location of the three tracts (27.29 acres, 4.95 acres and 7.56 acres) adjacent to the proposed Grand Parkway, Kuykendahl Road and Boudreaux Road. Mr. Terpstra informed the Board that the property will be developed with retail on the two smaller tracts and multi-family development on the large tract and asked that the Board consider annexing the acreage into the District. A copy of the aerial map exhibit is attached hereto.

Mr. Saad and Ms. Liquitay entered the meeting at 6:37 p.m.

Director Schkade then questioned how far the Board was willing to extend the District's boundaries and stated that he would like to discuss the matter at the January meeting when Director Steffes is able to attend. Mr. Polley then asked Mr. Terpstra to provide Jones & Carter with an estimate of the proposed development's capacity needs. Mr. Polley noted that an item will be placed on the January agenda.

Mr. Lee introduced Mr. Saad and explained that the owner has requested water and sewer service for a 0.93-acre tract of land located on the southwest corner of Springbrook Garden Lane and Kuykendahl Road, within the District. Mr. Saad briefly discussed plans for a 10,000 square foot dental office on the tract and requested that the Board authorize Jones & Carter to prepare an updated feasibility study for the tract of land. 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 the feasibility study. A copy of Mr. Saad's correspondence to Jones & Carter is attached as an exhibit.

STATUS OF DISCUSSIONS WITH HEB REGARDING PROPOSED GOSLING PINES DETENTION POND MODIFICATIONS AND MAINTENANCE

Mr. Lee reported that he was contacted by Mr. John Rose with HEB and Mr. David Rivera, P.E. with LJA Engineering concerning the status of the proposed HEB store at the northeast corner of Gosling Road and FM 2920. Mr. Lee stated that HEB is moving forward with purchasing the three (3) tracts of land totaling 10.23 acres, one (1) of which would need to be annexed into the District, and was requesting a Letter of Understanding between HEB and the District concerning the use and maintenance of the existing Gosling Pines Detention Pond. 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 Mr. Polley to prepare the proposed Letter of Understanding.

Ms. McCarthy then exited the meeting at 6:47 p.m.

REVIEW AND APPROVE FEASIBILITY STUDY FOR A COMMERCIAL DEVELOPMENT ON A 2.5-ACRE TRACT LOCATED AT THE SOUTHWEST CORNER OF KUYKENDHAL ROAD AND GOSLING ROAD

Mr. Lee then reviewed the feasibility study with the Board, a copy of which is attached hereto. Mr. Lee informed the Board that the tract is planned to be developed into a commercial

development including a gas station with a restaurant and two (2) retail buildings. Mr. Lee reported that the tract's water capacity requirement is approximately 7,600 gallons per day ("gpd"). Mr. Lee informed the Board that there is an existing 16-inch (16") public water line located adjacent to the eastern right-of-way ("ROW") of Kuykendahl Road, within an existing 10-foot (10') water line easement, and noted that an extension of the public water line is not necessary.

Mr. Lee next reported that the tract requires approximately 6,400 gpd wastewater capacity. Mr. Lee noted that there is an existing 12-inch (12") public sanitary sewer line located adjacent to the southern ROW of Gosling Road, within an existing 20-foot (20') sanitary sewer line easement that would be used to serve the tract, and noted that a sanitary sewer line extension is not necessary.

Concerning the financial feasibility of the proposed development, Mr. Lee stated that the developer estimates the assessed value of the improved tract to be \$2,050,000 and that such assessed value could potentially produce tax revenue of \$13,800 annually. Mr. Lee then reported that a Reimbursement Calculation Worksheet is not necessary for this project because the extension of public facilities is not necessary.

Director Warren then asked Mr. Lee if his capacity calculations take into account the surface water that the District receives from the North Harris County Regional Water Authority ("NHCRWA"). Mr. Lee responded that they do and that the District has enough capacity to serve the tract without the NHCRWA water.

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 feasibility study.

DIRECTOR'S INSPECTION REPORT

Director Draper then reviewed his inspection report for the month of December, a copy of which is attached as an exhibit. Director Draper reported that the fence at Lift Station No. 1 needs to be replaced. 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 Director Draper's inspection report.

Mr. Staab then stated that he obtained two (2) proposals for the replacement of the wooden fence at Lift Station No. 1, copies of which are attached to the Operator's Report. Upon motion by Director Draper, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board accepted the proposal from Carthage Construction in the amount of \$13,609 for an eight (8) foot wooden fence and gate at Lift Station No. 1.

DEVELOPER'S REPORT (CONTINUED)

Concerning The Sanctuary Veritas, Mr. Daigle reported that six (6) homes had sold in the past three (3) months at an average of \$410,000. Mr. Daigle further reported that there are 65 lots remaining. Upon motion by Director Warren, seconded by Director Schkade, after full

discussion and the question being put to the Board, the Board voted to approve the Developer's Report.

OPERATOR'S REPORT

Mr. Staab then reviewed the Operator's Report for the month of November, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 92.4%. Mr. Staab further reported that the District currently has 6,137 active connections.

Mr. Staab recommended that the Board consider increasing tap fees to offset the cost of the Mueller automatic metering system and handed out a comparison of the current tap fee versus the cost to the District and recommendations for increasing the tap fees for the Board's review, a copy of which is attached hereto. Director Warren stated that he did not want to discuss this matter until such time that Director Steffes is in attendance. The Board asked WDM to send a copy of the handout to Director Steffes.

Concerning customer billing, Mr. Staab informed the Board that there had been 36 cut-offs, all of which are reconnected, four (4) accounts totaling \$48.50 had been charged off, and 15 delinquent accounts totaling \$1,823.06 had been sent to the collection agency. Mr. Staab also reported that three (3) of the seals on the return activated sludge basin at the Wastewater Treatment Plant ("WWTP") are leaking and that Clarifier 3 gear box seal is leaking. Mr. Staab stated that he is waiting for a crane to remove the gear box for the repairs.

Mr. Staab next reported that Mueller Systems is offering the District a discount of \$25,000 if the District will pay-in-full and accept delivery of all meters in 2014. The Board expressed concern over the request. Mr. Polley stated that he and Mr. Staab would contact Mr. Fred Quintero of Mueller Systems.

Director Schkade reminded WDM that the Board previously voted to end Stage 1 response measures under the District's Water Conservation Plan and asked WDM to ensure all signs had been closed.

Upon motion by Director Warren, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report 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 as an exhibit. Mr. Lee reported that the District received a WWTP capacity request letter from Jacobs Engineering Group, Inc., engineers for Northwest Harris County Municipal Utility District No. 32 concerning that District's permit expansion application. 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 decline the request for capacity and authorized the engineer to respond accordingly.

Mr. Lee next reported that Jones & Carter received a letter from Mr. Patrick L. Newton, P.E. of AEI Engineers, on behalf of Northwest Harris County Municipal Utility District No. 30 ("NWMUD 30"), concerning damage to the NWMUD 30 Detention Pond "C" located northwest of VOSL, Section 5. NWMUD 30 requested the District's assistance in obtaining a response from First Texas Homes, the builder in VOSL, Section 5, concerning: 1) repairs to the back slope swale and maintenance berm of Detention Pond "C"; 2) removal of the drain pipe from 6031 Brookway Willow Drive; and 3) assurance that all runoff from home lots in VOSL, Section 5 flows through VOSL detention Pond. A copy of the letter is attached as an exhibit to these minutes. Mr. Lee explained that none of the District's facilities are involved with the request from NWMUD 30 and noted that Jones & Carter forwarded the letter to Mr. Travis Hudson of VOSL, LP. The Board agreed that NWMUD 30 and VOSL, LP need to resolve this matter.

Mr. Lee then reported that the District received a letter from Harris County Flood Control District ("HCFCD") stating that the one (1) year maintenance period for Upper and Lower Bonds Gully has ended and forwarding an application for acceptance of the facilities by HCFCD. Mr. Polley stated that the Board must decide if they want to proceed with submitting the application for acceptance by HCFCD or to enter into a maintenance agreement for a specified period. Mr. Polley advised the Board that they lose control over the use of Upper and Lower Bonds Gully if they pursue HCFCD acceptance for maintenance. The Board asked WDM to obtain a cost estimate for the maintenance of Upper and Lower Bonds Gully from Storm Water Solutions LP.

Mr. Webb then exited the meeting at 6:40 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 Engineer's Report.

ATTORNEY'S REPORT

Mr. Polley reported that he contacted Mr. Charles B. McFarland of McFarland LLP regarding the condemnation proceedings against the last three (3) water line easements along Spring Stuebner Road. Mr. Polley noted that Mr. McFarland will submit his fee agreement at the beginning of the year. 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 execution of the fee agreement with McFarland LLP.

Mr. Polley reported that the water line easement acquisition from Jay D. and Nancy Barrow is nearly complete. 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 MCI to circulate a check, in the amount of \$5,710.72, payable to Jay D. Barrow and Nancy Barrow, if the acquisition can be finalized prior to the Board's next meeting.

MISCELLANEOUS MATTER

Mr. Polley then noted that the Board's next regular meeting will be scheduled for Tuesday, January 20, 2015, 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 January, 2015.




Secretary, Board of Directors