

MINUTES OF MEETING
OF
BOARD OF DIRECTORS

July 21, 2015

THE STATE OF TEXAS §
COUNTY OF HARRIS §
BRIDGESTONE MUNICIPAL UTILITY DISTRICT §

The Board of Directors (the "Board") of Bridgestone Municipal Utility District (the "District") met in regular session, open to the public, at the Jerry Thomas Center, 4403 Lost Lake Lane, Spring, Texas, its regular meeting place within the boundaries of the District, on Tuesday, July 21, 2015, 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. Pat Hall of Equi Tax, Inc., tax assessor/collector for the District; Messrs. Erich Peterson, P.E. and Joshua Lee, P.E., and Ms. Sherry Grant, Associate Engineer, of Jones & Carter, Inc. ("Jones & Carter"), engineers for the District; Mr. Danny Staab of Water District Management Company, Inc. ("WDM"), operators for the District; Ms. Christina Cole of Myrtle Cruz, Inc., bookkeeper for the District; Messrs. John and Corey Howell, of The GMS Group LLC ("GMS Group"), financial advisors for the District; Mr. Bob Hudson of VOSL, LP, developer of the Villages of Senterra Lakes ("VOSL") subdivision within the District; Mr. Robert Daigle of D.R. Horton, developer of The Sanctuary Veritas subdivision within the District; Lieutenant David Mayes and Sergeant Irfanali Banani of the Harris County Precinct 4 Constable's Office; Mr. Richard Ellwood of Kimco Realty Corporation, representing the proposed Grand Parkway Marketplace development; 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 Radcliffe Bobbitt Adams Polley PLLC ("RBAP"), attorneys for the District.

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 Banani first presented the monthly Constable's Report, a copy of which is attached hereto. Lieutenant Mayes reported that his deputies had issued 244 traffic citations during the month of June. 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 Constable's Report.

Lieutenant Mayes and Sergeant Banani then exited the meeting at 6:05 p.m.

CONSENT AGENDA

Director Steffes then reviewed with the Board the items reflected on the Consent Agenda. Director Steffes 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 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: 1) approve the minutes of the regular meeting of June 16, 2015 and special meeting of June 23, 2015, as written; and 2) approve the following pay estimates: a) Pay Estimate No. 7 in the amount of \$13,770.00 from T&C Construction, Ltd., in connection with the Lift Station Nos. 1 - 7 Rehabilitation project; b) Pay Estimate No. 4 in the amount of \$239,055.75 from R+B Group, Inc. ("R+B Group"), in connection with the Wastewater Treatment Plant ("WWTP") Dewatering Facility; c) Pay Estimate No. 4 in the amount of \$18,256.14, from Neil Technical Services Corp., in connection with Water Plant Nos. 1 and 2 Motor Control Center Replacement; and d) Pay Estimate No. 2 and Final in the amount of \$3,274.50 from MMG Contractors, LLC, in connection with the Sanitary Sewer Extension along Northcrest Drive.

REGULAR AGENDA

TAX ASSESSOR/COLLECTOR'S REPORT

Ms. Hall then presented the Tax Assessor/Collector's Report for the month of June, a copy of which is attached hereto. Ms. Hall reviewed her report and stated that 97.7% of the District's 2014 taxes had been collected. Ms. Hall further reported that Harris County Appraisal District should have the 2015 tax rolls prepared by the end of August.

Upon motion by Director Schkade, seconded by Director Warren, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tax Assessor/Collector's Report, including authorizing payment of the checks reflected therein.

Director Marks and Mr. Ellwood then entered the meeting at 6:10 p.m.

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. Ms. Hall reported that the two (2) delinquent taxpayers that requested 10-month installment payment plan agreements that were approved at the May meeting had not responded to the delinquent tax attorney's attempts to contact the taxpayers so they could execute their payment agreements. Ms. Hall stated that the delinquent tax attorney recommends that they resume efforts to collect the delinquent taxes. 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 authorized the delinquent tax attorney to resume efforts to collect the two (2) accounts listed under Section VI of the Delinquent Tax Attorney's Report.

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 she had written checks to Neil Technical Services Corp., R+B Group, and T&C Construction, Ltd., for the pay estimates approved by the Board in the Consent Agenda that were not included on the Bookkeeper's Report. Ms. Cole reported that the District received payment from the City of Houston (the "City"), in the amount of \$72,227.60, for the District's share of sales tax revenue for the month of April 2015, in connection with the District's Strategic Partnership Agreement with the City.

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

BOND AGENDA

REVIEW AND APPROVE AMOUNT OF BONDS TO BE ISSUED

Mr. Howell reported that there had been a great many bond issues this summer. Mr. Howell estimated that the interest rate on the District's Waterworks and Sewer System Combination Unlimited Tax and Revenue Bonds, Series 2015 (the "Series 2015 Bonds") would be 3.5% or 3.6%. Mr. Howell then reported that the District's assessed valuation is approximately \$1.0 billion and speculated that the assessed value will increase to \$1.2 billion this year. Mr. Howell suggested that the Board should be able to lower the District's tax rate for 2015.

Mr. Polley and Mr. Lee informed the Board that almost all of the developer projects qualify for 100% reimbursement and, therefore, they recommended the Series 2015 Bonds be issued for the entire amount approved by the Texas Commission on Environmental Quality (the "TCEQ"), which is \$6,410,000. Mr. Lee noted that Jones & Carter will wait for the Harris County Appraisal District's estimate of values as of July 1, 2015, to run the final developer reimbursement calculations.

REVIEW AND APPROVE PRELIMINARY OFFICIAL STATEMENT ("POS")

Mr. Howell then presented and reviewed the draft of the POS for the \$6,410,000 Series 2015 Bonds, a copy of which is attached hereto. Mr. Howell stated that page 16 of the POS contains the Use of Bond Proceeds and lists the projects to be funded. Mr. Howell noted that Mr. Neil Thomas of Norton Rose Fulbright will serve as Disclosure Counsel for the Series 2015 Bonds. Mr. Howell recommended that pricing of the Series 2015 Bonds occur on August 25, 2015 with an anticipated funding on September 22, 2015.

Upon motion by Director Warren, seconded by Director Draper, after full discussion and the question being put to the Board, the Board voted to approve the \$6,410,000 amount of the

Series 2015 Bonds, approve the POS, authorize The GMS Group to submit the POS to the credit rating agencies, authorize the sale of the Series 2015 Bonds on Tuesday, August 25, 2015, and to schedule a special meeting at 6:00 p.m. on August 25, 2015 to award the sale of the Series 2015 Bonds and approve bond documents.

APPROVE ORDER ADOPTING OFFICIAL NOTICE OF SALE AND BOND FORM, AUTHORIZING DISTRIBUTION THEREOF, AND OF POS, AND AUTHORIZING PUBLICATION OF NOTICE OF SALE OF SERIES 2015 BONDS (THE "ORDER")

Mr. Polley then presented the Order for the Board's adoption, a copy of which is attached hereto. 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.

REGULAR AGENDA (CONTINUED)

AUTHORIZE ATTENDANCE AT THE ASSOCIATION OF WATER BOARD DIRECTORS- TEXAS FALL SEMINAR ON OCTOBER 29, 2015, AND MID WINTER CONFERENCE JANUARY 22-24, 2016, IN GALVESTON, TEXAS

Upon motion by Director Steffes, seconded by Director Schkade, after full discussion and the question being put to the Board, the Board voted unanimously to authorize the Board members to attend both the Fall Seminar and the Mid Winter Conference. The Board asked Ms. Cole to register them for both events.

DEVELOPER'S REPORTS

Mr. Hudson reported that one (1) lot remains in VOSL, Section 4 and only 10 lots in VOSL, Section 2 to convey to the builder. A copy of Mr. Hudson's report is attached hereto.

Mr. Daigle then reported that in the past 30 days there had been four (4) home closings and one (1) home sale in The Sanctuary Veritas subdivision.

DISCUSS THE ADDITION OF THREE (3) EXTREME EVENT SWALES IN THE SANCTUARY VERITAS SUBDIVISION

Mr. Lee then reminded the Board that at the June 23rd special meeting, the Board was informed that three (3) extreme event swales had not been constructed by the prior developer. Mr. Lee stated that D.R. Horton would be eligible for reimbursement for the installation of the swales if the storm sewer meets the requirements of Harris County Flood Control District. Mr. Lee reported that two (2) of the swales would be constructed across property owned by the homeowners association and one (1) would be constructed in a street.

Mr. Lee noted that following the June 23rd meeting, he forwarded to the Board photos of the high water in The Sanctuary Veritas that resulted from heavy rain events in June. Director Warren asked who would be responsible if flooding occurs in the subdivision. Mr. Polley responded that there is no definite answer and pointed out that the District has governmental immunity. Mr. Polley added that it was the original developer's responsibility to construct the swales, not the District's responsibility. Mr. Polley stated that if the original developer had

constructed the swales, that entity would have been eligible for reimbursement from the District and that the other reimbursable costs from the development are included in the Series 2015 Bonds. Mr. Polley advised the Board that if D.R. Horton constructs the swales, they can be reimbursed, but the District will pay interest on the project. Mr. Polley noted that if the District pays for the construction from its General Operating Fund, which is estimated to be approximately \$219,000, the District will avoid developer interest costs.

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 funding the construction of the three (3) extreme event swales from the District's General Operating Fund, authorize Jones & Carter to prepare the necessary plans and to proceed with obtaining City and County agency approvals for same. Director Warren then asked how long the construction will take. Mr. Peterson estimated that it would be complete by year end.

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

Mr. Lee reported that he had not received any new requests.

CONSIDER REQUEST FOR SERVICE TO TWO (2) TRACTS WITHIN THE DISTRICT AT GRAND PARKWAY AND KUYKENDAHL ROAD

Mr. Lee reminded the Board that Mr. Mark Terpstra of Caldwell Companies had attended the June 23rd meeting to request service from the District for a 0.5373-acre tract located at the southeast corner of Boudreaux Road and Grand Parkway. Mr. Lee reported that the Board authorized Jones & Carter to prepare a service feasibility study for the tract. Mr. Lee stated that Jones & Carter has prepared the feasibility study for this tract for the Board approval tonight.

Concerning water and sanitary sewer service to a 0.5151-acre tract north of the Grand Parkway and adjacent to Dowdell Public Utility District ("PUD"), the Board had previously directed Mr. Terpstra to approach Dowdell PUD to request out-of-District water and sanitary sewer service.

REVIEW AND APPROVE FEASIBILITY STUDY FOR TEXAS LAND INVESTMENTS, LLC 0.5373-ACRE TRACT

Mr. Lee reviewed the feasibility study for the tract located at the southwest corner of Grand Parkway and Kuykendahl Road with the Board, a copy of which is attached hereto. Mr. Lee informed the Board that the tract will be developed with a 2,000 square foot restaurant/coffee shop.

Mr. Lee reported that the development is estimated to require 1,300 gallons per day ("GPD") water capacity, which can be provided from an existing 12-inch public water line located adjacent to the southern right-of-way ("ROW") of Boudreaux Road, within an existing 10-foot waterline easement. Mr. Lee stated that the owner will be required to dedicate a water meter easement to the District.

Concerning wastewater capacity, Mr. Lee reported that the tract is estimated to require approximately 1,100 GPD. Mr. Lee stated that there is an existing eight-inch (8") public sanitary sewer line located adjacent to the northern boundary of the ROW of Boudreaux Road terminating at a manhole approximately 25-feet east of the tract. Mr. Lee stated that the developer will be responsible for extending an eight-inch (8") sanitary sewer line approximately 40 linear feet to the southeast corner of the tract. The developer will be required to dedicate a 20-foot exclusive sanitary sewer easement to the District.

Mr. Lee noted that the developer estimates the assessed value of the tract at full development to be \$1,500,000, which would result in approximately \$10,100 per year of tax revenue for the District based on the District's current tax rates.

Mr. Lee reported that the extension of public facilities is not eligible for reimbursement under the District's policies.

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 feasibility study for water and sanitary sewer service to the 0.5373-acre tract.

REVIEW AND APPROVE FEASIBILITY STUDY FOR A 21.47-ACRE BIG BOX GROCERY STORE

Mr. Lee stated that the tract of land is located on Gosling Road south of FM 2920 and noted that 6.21 acres out of the 21.47 acres is not within the boundaries of the District. Mr. Lee reported that the tract is estimated to require 40,000 GPD of water capacity. Mr. Lee informed the Board that an existing 12-inch water line along the southern ROW of FM 2920 can serve the northern portion of the tract and an existing 12-inch water line along the western ROW of Gosling Road can serve the southern portion of the tract. As a result, Mr. Lee stated that a public water line extension is not necessary.

Concerning sanitary service, Mr. Lee stated that the tract is estimated to require 33,000 GPD of wastewater capacity. Mr. Lee reported that an existing 12-inch sanitary sewer line extending along the northern and western boundaries of the tract can be used to serve the tract and a sanitary sewer line extension is not necessary.

The Developer's estimate of value for the development is \$24,000,000, which would result in approximately \$163,000 of tax revenue for the District based on the District's current tax rates.

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 for water and sanitary sewer service to the 21.47-acre tract.

REVIEW AND APPROVE FEASIBILITY STUDY FOR GRAND PARKWAY MARKETPLACE 35.7-ACRE TRACT

Mr. Lee next reviewed the feasibility study for service to the 35.7-acre tract located east of Kuykendahl Road and south of Spring Stuebner Road. Mr. Lee informed the Board that the

plans for the commercial development include two (2) anchor buildings, two (2) retail buildings, eight (8) restaurants, a bank, an urgent care facility and a drugstore. Mr. Lee noted that the tract is estimated to require 62,000 GPD of water capacity.

Mr. Lee stated that there is an existing 12-inch water line adjacent to the southern ROW of Spring Stuebner Road that extends along the northern boundary of the tract that can serve the northern portion of the tract and an existing 12-inch water line adjacent to the northern ROW of Northcrest Drive that extends along the southern portion of the tract that can serve the southern portion of the tract.

Mr. Lee reported that the tract is estimated to require 52,000 GPD of wastewater capacity. Mr. Lee explained that an existing eight-inch (8") sanitary sewer line is located adjacent to the northern ROW of Kuykendahl Road. Mr. Lee noted that an extension of 1,130 linear-feet of eight-inch (8") sewer line will need to be extended from an existing manhole to the southwest corner of the tract along the northern ROW of Kuykendahl Road, at an estimated cost of \$172,000. Mr. Lee stated that if the sanitary sewer line meets the requirements to be considered a public facility, the line may be eligible for reimbursement from the District.

Mr. Lee reported that the developer has estimated the value of the development at \$41,000,000, which would result in approximately \$280,000 of tax revenue for the District based on the District's current tax rates.

Ms. Hall and Ms. Cole then exited the meeting at 6:57 p.m.

Mr. Polley then introduced Mr. Ellwood to the Board. Director Schkade asked what restaurants are going to be included within the development. Mr. Ellwood responded that he was not sure at the present time.

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 feasibility study for water and sanitary sewer service to the 35.7-acre tract.

REVIEW AND AUTHORIZE EXECUTION OF AGREEMENT FOR FINANCING OF FACILITIES TO SERVE THE OFFICE PARK ON FM 2920 (THE "AGREEMENT")

Mr. Polley presented the purposed Agreement for the Board's review, a copy of which is attached hereto. Mr. Polley noted that there had been an error in the feasibility study approved at the June 23rd meeting and Jones & Carter will revise the feasibility study to reflect that it is for 1.9222 acres rather than 3.6 acres. 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 and authorize execution of the Agreement.

DIRECTOR'S INSPECTION REPORT

Director Schkade reported that he and Mr. Staab inspected the District facilities on July 11, 2015, and everything looked good. Director Schkade asked the Board to make a decision on the height of the hedge at Lift Station No. 7.

Upon motion by Director Schkade, seconded by Director Steffes, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Director's Inspection Report and to agree to maintain low hedges at Lift Station No. 7.

Ms. Dold noted that Director Steffes is scheduled to conduct the inspections for August and September.

OPERATOR'S REPORT

Mr. Staab then reviewed the Operator's Report for the month of June, a copy of which is attached hereto. Mr. Staab reported that the District's water accountability for the month was 97.3%. Mr. Staab further reported that the District currently has 6,174 active connections. Mr. Staab then reported that one (1) account in the amount of \$7.68 was charged off, eight (8) accounts in the amount of \$812.09 were sent to the collection agency, and 91 accounts had been terminated for non-payment of water bills.

Mr. Staab next reported that the lift pump at Lift Station No. 5 was pulled for repairs today. Mr. Staab also reported that there had been no water quality related calls or customer complaints this reporting period.

Mr. Staab next reported that WDM has addressed/corrected all except for one (1) of the issues cited in the TCEQ Violation Letter dated July 8, 2015, resulting from inspections conducted at the Wastewater Treatment Facility on April 15th and 21st, a copy of which is attached hereto.

Concerning the installation of the automatic meters, Mr. Staab reported that installations were 100% complete in Rhodes Landing, The Sanctuary Veritas, Bella Sera and VOSL subdivisions. Mr. Staab noted that the Bridgestone and Bridgestone West subdivisions have been divided into five (5) sections and the installation of the automatic meters has begun.

Mr. Staab then recommended that the Board authorize WDM to install two (2) larger grates in the Rhodes Landing Lift Station at an approximate cost of \$5,941.25.

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, including the replacement of two (2) larger grates at Rhodes Landing Lift Station, and authorization to terminate 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 hereto. Mr. Lee reported that Jones & Carter had notified R+B Group following the special meeting of July 16, 2015, that the Board wanted it to completely remove and replace the concrete slab for the dewatering facility. Mr. Lee added that the contractor was also put on notice that they would be held responsible for all damages associated with the delay of the construction project. Mr. Lee noted that R+B Group informed Jones & Carter that they will prepare a new work plan and schedule for the removal and replacement.

Mr. Lee then requested authorization to perform an annual facility inspection of the District's Water Plant Nos. 1, 2, and 3.

Mr. Lee next presented the Springbrook Plaza Storm Water Quality Permit renewal application for the Board's approval and execution.

Mr. Lee and Mr. Peterson reported that the meeting with Harris County Commissioner Jack Cagle on July 17, 2015, regarding the parking conditions on Springbrook Plaza Drive went very well, and that they will be following up with Commissioner Cagle's office to provide requested documentation of the parking problems.

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, authorize the annual facility inspections of Water Plant Nos. 1, 2, and 3, and authorize execution and submittal of the Springbrook Plaza Water Quality Permit renewal application to Harris County.

Messrs. Howell and Mr. Daigle then exited the meeting at 7:18 p.m.

REVIEW AND AUTHORIZE EXECUTION OF INTERLOCAL AGREEMENT WITH HARRIS-GALVESTON SUBSIDENCE DISTRICT ("HGSD")

Mr. Polley reported that the Board received the new Interlocal Agreement with HGSD for sponsorship of the Water Wise Programs at Roth Elementary School and Northwoods Catholic School, a copy of which is attached hereto. Ms. Dold handed out an updated memorandum regarding the Groundwater Credits the District had earned due to their sponsorship of the Water Wise programs, 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 and authorize execution of the Interlocal Agreement.

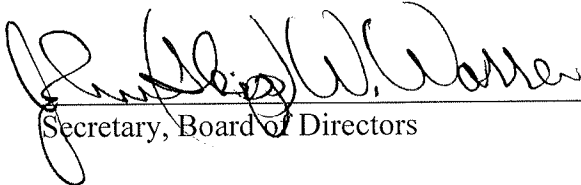
ATTORNEY'S REPORT

Mr. Polley reported that RBAP will present a Legislative Update of the 84th Texas Legislature 2015 at the Board's next meeting. Mr. Polley added that he will also discuss memorandums regarding House Bill 23 (effective September 1, 2015) and House Bill 1295 (effective January 1, 2016).

Concerning the status of the acquisition of water line easements along Spring Stuebner Road, Mr. Polley reported as follows: 1) Khaykhum Inthapanya must obtain a release of lien before the easement can be finalized; 2) Genesis Pipeline Texas, L.P. has not returned the final letter agreement; and 3) Mr. Lloyd McCurdy has not agreed to grant the easement to the District.

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

PASSED, APPROVED AND ADOPTED this 18th day of August, 2015.


Secretary, Board of Directors

(DISTRICT SEAL)

