

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting

March 5, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the February 6, 2012 meeting as written.
 2. The Board approved the Tax Assessor-Collector’s Report as presented by Mike Arterburn of Utility Tax Service L.L.C., including payment of the bills associated therewith.
 3. The Board approved the Operations and Maintenance Report as presented by Eric Thiry of Environmental Development Partners, L.L.C. (“EDP”).
 4. The Board approved the Engineering Report presented by Dennis Eby of Eby Engineers, Inc., and certain action items reflected therein.
 5. The Board approved a Consent to Encroachment and Indemnity Agreement between the District and PCA Cypress Creek, LLC;
 6. The Board approved the Bookkeeper’s Report as presented by Claudia Redden of Claudia Redden & Associates, L.L.C., including the checks presented for payment.
 7. The Board authorized the consultants to research the existence of any unclaimed property held by the District and for the bookkeeper to prepare a report for same, if necessary.
 8. The Board adopted a revised Order adopting a Code of Ethics and certain other policies.
 9. The Board voted to cancel the 2012 Director Election pursuant to the Election Code.
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The Board of Harris County Municipal Utility District No. 286 ("District") met at the Board's regular meeting place, 8015 FM 1960 West, Houston, Harris, County, Texas 77070 on March 5, 2012 in accordance with the duly posted notice of meeting, and the roll was called of the duly constituted officers and members of said Board of Directors, as follows:

David Geaslen, President
Paul D. Nicosia, Vice-President
Steve Garner, Assistant Secretary
Michael Rhodes, Secretary
Jeffrey Carlyle, Director

All of said persons were present, except Director Rhodes and Director Garner, therefore constituting a quorum.

Also present were Sergeant Blackledge and Sergeant Rouse of the Harris County Constable's Office, Precinct No. 4; Claudia Redden of Claudia Redden & Associates L.L.C.; Dennis Eby of Eby Engineers, Inc. ("Eby"); Mike Arterburn of Utility Tax Service, L. L. C.; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Kevin Schmok of Trammell Crowe; Jessica Dixon of CB Richard Ellis ("CBRE"); and Jacquelin Scott, administrative assistant.

The meeting was called to order at 6:03p.m. by President Geaslen.

APPROVAL OF MINUTES

President Geaslen asked that the approval of the minutes be given first consideration. After review, and upon motion made by Director Nicosia, seconded by Director Carlyle, the Board voted unanimously to approve the minutes of the February 6, 2012 meeting.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeant Blackledge and Sergeant Rouse, current officers for the District. The Officers then reported recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for February 2012, attached hereto as Exhibit A. Sergeant Blackledge informed the Board that he had recently broken up a game of "hide-and-seek" in the park at night and that he had been passing the pictures taken from the security camera

around at the local schools, but the perpetrator of the vandalism to the cameras had not been identified yet.

The Officers then exited the meeting.

Ms. Redden entered during the Officer's report.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Mike Arterburn was next recognized by the President for discussion of the District's tax matters. He disseminated to and reviewed with the Board the Tax Assessor-Collector's Report dated as of February 29, 2012 a copy of which is attached hereto and considered a part of these minutes as **Exhibit B**.

Mr. Arterburn informed the board that the taxes were 98.99% collected as of the report date. He advised the Board that the issue of the Hewlett Packard ("HP") account that was split by the appraisal district is currently being pursued by HP. He verified that HP did pay all of the amounts owed on the parent account, but since the accounts were subsequently split and re-billed that they continued to accrue fees, penalty, and interest. Mr. Arterburn stated that once the appraisal district has completed the split out he would finalize the issue and present the Board with a final waiver request in an upcoming meeting. The Board concurred with his proposed action.

After some discussion, Director Carlyle moved that the Tax Assessor-Collector Report be approved as presented, and that the checks, as identified in said report, be approved for payment. Director Nicosia seconded said motion, which carried unanimously.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Eric Thiry presented and reviewed with the Board the Operations and Maintenance Report dated March 2, 2012, a copy of which is attached hereto as **Exhibit C**

Mr. Thiry notified the Board that he had been working on excavating the final missing two inch "blow-off" lines. He verified that his team had been digging along Cypresswood Drive and had to remove a sidewalk in order to find one of these pipes recently. Mr. Thiry noted that he hopes that the purple spikes on the "Water Quality Monitoring" chart in his report will even out as these lines are located and flushed to improve water quality.

He verified that the valve survey is complete on both the residential and commercial ends. He stated that he has started commercial repairs recently. Mr. Thiry said that there were 16 valves that he was unable to locate and that his team will begin working with magnetic locators and probes to find them before digging. He further stated that 18 valves need to be cleaned out and/or repaired.

Mr. Thiry noted that HP has paid for the third backflow preventor installed at Lonestar College (“Lonestar”) and that Lonestar has requested a price for installation of one at the Central Plant. He also informed the Board that he met with representatives of the Centre at Cypress Creek to discuss the installation of the second backflow preventor which he is overseeing.

The Board requested that Mr. Thiry clarify the charges listed on the Chasewood “sewer only” account as listed at page 4 of his report. He informed them that Buildings #2 and #4 have cooling towers and that they get credits for the towers, meaning that they do not pay sewer charges associated with that water use. Mr. Thiry acknowledged that the report needs to be corrected to reflect “water only” instead of reading “sewer only.”

Mr. Thiry reviewed the accountability report and noted a 97% accountability rate for February. He also noted that 98% of the water utilized was surface water. Further discussing water, Mr. Thiry stated that, during the past month, the North Harris County Regional Water Authority (“NHCRWA”) called and asked that all valves be turned off so that the District was not receiving any surface water due to a quality concern. He noted that the intake valves were off for approximately a week and were turned on again at the beginning of March. The Board briefly discussed the recent water quality.

Mr. Thiry informed the Board that page six included the water treatment report and that there were no violations at the Wastewater Plant in January 2012. He further discussed the accounts subject to disconnect and the details of his invoice. He verified that the Wastewater Discharge Permit was renewed and that as a condition of such the new Ecoli Bacteria discharge parameter must now be met in regular testing.

Mr. Thiry informed the Board that the transfer of meters from HP to Lonestar College that was addressed last month is still in process. He stated that Lonestar must fill out an application and submit the requested deposit before the request will be approved, but that there has been a slight delay.

Mr. Thiry noted that Lonestar has requested that they not be charged for sewage fees on the water that they are using for their “chillers,” similar to Chasewood’s arrangement. After the Board had some discussion, President Geaslen advised that the only way they should be exempt from the sewage fee is if they have separate meters installed to monitor the water utilized for the chilling equipment. The Board discussed required meters and monitoring for same and the tap fee currently charged for the tax exempt entities. The Operator, Attorney, and Engineer agreed to review the matter and the legal ramifications and get back to the Board regarding same.

After discussion, Director Carlyle moved that the Operator’s Report be approved as presented. Director Nicosia seconded said motion, which unanimously carried.

Ms. Dixon entered the meeting during the Operations Report.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated March 5, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as Exhibit D.

Mr. Eby first addressed the construction contract with Blastco. He advised the Board that payment of \$5,145.60 retainage was due from the work at the Wastewater Plant and he recommended releasing such. He noted that everything is running fine at the plant, and that a hold on the retainage is just a matter of policy. He noted that Blastco has submitted all waivers and lien releases required. Motion to make final payment to Blastco for pay estimate no. 2 (final) was made by Director Nicosia, and seconded by Director Carlyle. The motion carried without dissent.

Mr. Eby next reviewed a copy of a letter from the TCEQ in his report. He stated that he received the letter in February addressing permit renewal. He explained that the TCEQ is attempting to get all District customers on the same billing cycle and therefore the permit will be due to renew in a shortened period, 2015, instead of 2017.

Mr. Eby then discussed the matter of a proposal from Roger Schuett for basic maintenance at the skate park. Mr. Eby noted he met Mr. Schuett at the park and walked around to discuss the desired work to be included in the requested proposal. Mr. Schuett proposed a fee of \$100 for each removal of graffiti on the brick and culvert on the driveway. Mr. Schuett also agreed to repair the split rail fence that had come down for a price of \$150. Mr. Eby reviewed the other aspects of Mr. Schuett's proposal and the frequency with which the work is likely necessary. Following discussion, Director Carlyle made a motion to accept the proposal and have the work done on an as-needed basis. Director Nicosia seconded the motion which carried unanimously. The Board agreed that this would go into effect after the next meeting when Director Carlyle would hand over the supplies.

Mr. Eby and the Board had some discussion about plausible options for replacing the security cameras at the park and preventing theft. Mr. Eby agreed to continue looking into more innovative options like caging or hunting cameras and noted he will advise the Board as to his findings at the next meeting.

Mr. Eby also informed the Board that there was an issue with one of the cameras at the Wastewater Plant and that he had a technician come out to repair it. He noted that the technician found the camera to be defective and therefore he sent it to the shop to review the manufacturer's warranty. He briefly discussed the \$410.00 invoice from C-Link that pertained to this issue.

Mr. Eby notified the Board that he had finally received a letter waiving the violations at the Wastewater Plant which were inaccurately initiated in 2011. He was pleased to note that even though the process had been lengthy that the matter is now resolved.

Mr. Eby then turned the discussion to former HP Buildings 14 & 15. He explained that those buildings are in the process of being converted for occupancy by Noble Energy. He noted that since the Developers are beginning work on these buildings and are now referring to them as “Noble Energy Center One” that all discussion, billing, and information pertaining to this site should convert to the new name. He verified that occupancy is set for May 2013, and that drawings are in the revisions state. Mr. Eby advised that the vast majority of the buildings existing interior will be demolished and rebuilt.

Mr. Eby informed the Board that he received an email from Midtown Engineers, on behalf of Harris County, proposing a lighted signal crossing coming out of the subdivision at Jones Road and Lakewood Crossing. The Board noted that the Constable suggested this originally. Mr. Eby stated that he will be gathering information and sending it to them and then will review their plans.

Mr. Eby next discussed the NHCRWA Chloramination credit that was previously requested. He stated that while the original request included a credit for a second connecting line at the District’s Water Plant that was beneficial to both parties, there was not a rule to allow for such credit to be awarded and so it was declined the first time around, as a matter of policy. He explained that he was advised to resubmit for the additional \$18,000 and he will be doing such this month.

Next Mr. Eby mentioned an informal request made by a resident who lives in the lakefront property in Lakewood Forest. He said that they discussed the problem that they were having keeping the lake full and inquired as to the purchase of effluent from the District for that purpose. Mr. Eby said that if the District were to agree to such there would be a good deal of “red tape” from TCEQ because of higher water quality testing requirements and more stringent limitations. The Board had some more discussion as to the potential costs that Lakewood Forest would be responsible for and the costs that the District would incur in such case. Mr. Eby stated that he would request that they submit a formal letter before discussing the matter further.

Director Carlyle moved that the Engineering Report be approved as presented and the included invoices be approved. Director Nicosia seconded said motion, which unanimously carried.

Mr. Arterburn exited during the Engineering Report.

At this time Mr. Creed informed the Board that he had prepared the Consent to Encroachment and Indemnity Agreement regarding the construction of a paved access road by PCA Cypress Creek, L.L.C. across a District water line easement, per previous instruction from the Board, and asked that it be approved. The motion to approve was made by director Carlyle and seconded by Director Nicosia and carried unanimously.

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated March 5, 2012, a copy of which is attached hereto as **Exhibit E**, including the checks presented for payment.

Ms. Redden discussed the receivables and checks presented for signature. She also reviewed the investment sections of her report. Upon request by President Geaslen Ms. Redden agreed to include on page 4 of her report a list of the prior 12 months net available operating monies for the District. Ms. Redden answered questions and further discussed required transfers for operating costs and debt service.

After discussion, Director Carlyle moved that the Bookkeeping Report be approved as presented. Director Nicosia seconded said motion, which unanimously carried.

Mr. Creed confirmed that the premium for the increased consultant fidelity bond coverage had been less than the \$1,400 amount authorized and, therefore the limit has been increased to \$1,000,000.00.

UNCLAIMED PROPERTY REPORT

Following discussion, Director Nicosia made a motion to authorize the consultants to research the District's unclaimed property for the period ending March 1, 2009, and for the bookkeeper to file the appropriate report with the state Comptroller, if necessary. Director Carlyle seconded the motion and it carried without dissent.

DEVELOPERS' REPORTS

HEWLETT-PACKARD COMPANY

No representative of Hewlett-Packard was present at the meeting.

GENESIS

No representative of Genesis Capital Partners L.L.C. was present at the meeting.

CENTRE AT CYPRESS CREEK

Ms. Dixon addressed the Board noting that the Centre at Cypress Creek had to install another bypass valve. She stated that her intent is to have the backflow preventor installed in the immediate future. Mr. Eby requested that he be provided with the information for the new valve so that it may be accurately reflected on the District's maps.

LONE STAR COLLEGE SYSTEM ("LONESTAR")

No representative of Lonestar College was present at the meeting.

TCH NORTH WEST ASSOCIATES L.P. (Trammell Crowe)

The President recognized Kevin Schmok of Trammell Crowe. Mr. Schmok stated that the fire line tap is needed and that he just got the revised drawings for same, which he will pass on shortly to Mr. Eby.

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests presented for consideration.

ATTORNEY'S REPORT

The Board next considered the attorney's report as presented by Mr. Creed. He noted that he had nothing to report other than what was being covered under other agenda items.

REVIEW OF DISTRICT CODE OF ETHICS

Mr. Creed addressed the memo that he sent to the Board summarizing the proposed changes to the Code of Ethics, a copy of which is attached as **Exhibit F**, and reviewed the Code of Ethics with the Board. The Board had some discussion and made revisions to the proposed Code. Director Carlyle made a motion to accept the Code of Ethics as revised. The motion was seconded by Director Nicosia and carried without dissent.

CANCELLATION OF DIRECTORS ELECTION AND ADOPTION OF ORDER DECLARING CANDIDATES ELECTED

The Board considered cancellation of the Directors Election called for May 12, 2012. Mr. Creed advised that in accordance with Subchapter C, Chapter 2 of the Texas Election Code, the District may cancel the election if each candidate whose name appears on the ballot and/or has

registered as a write-in candidate is unopposed in such election as of 5:00 p.m. on March 5, 2012. In such case, the Board may declare the unopposed candidate to be elected. In that regard, there was presented to the Board a certificate of the Secretary declaring all candidates unopposed. Mr. Creed then presented to and reviewed with the Board various portions of the Order Declaring Candidates Elected attached hereto as Exhibit G. After discussion, Director Nicosia moved that the Order be adopted by the Board declaring Directors Geaslen, Nicosia, and Rhodes elected for a four-year term, and that the Directors Election called for May 12, 2012, be cancelled. Director Carlyle seconded said motion, which carried unanimously.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Carlyle made a motion to adjourn at 7:26 p.m., duly seconded by Director Nicosia, which carried without dissent.

Secretary

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