

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
July 9, 2012

ACTIONS TAKEN

1. The Board of Directors (“Board”) voted to approve the minutes of the June 4, 2012 meeting as revised.
2. The Board approved the Tax Assessor-Collector’s Report as presented by Mr. Arterburn of Utility Tax Service L.L.C., including payment of the bills associated therewith.
3. The Board elected to remain in the Public Power Pool for the next contract period.
4. The Board voted to Accept the Qualification Statement, Bond, Oath of Office, Affidavit of Current Director and Election Not to Disclose Certain Information for Director Rhodes.
5. The Board approved the Operations and Maintenance Report as presented by Karl Skarboszewski of Environmental Development Partners, L.L.C. (“EDP”).
6. The Board authorized replacement of wood mulch and swings at the park.
7. The Board authorized Ricketts Site Work to perform certain contouring of the pond at the park.
8. The Board approved the Engineering Report presented by Dennis Eby of Eby Engineers, Inc., and certain action items reflected therein.
9. 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.
10. The Board authorized the transfer of irrigation meters from HP to Trammell Crowe subject to receipt of a letter of intent to perform certain items from Trammell Crowe.
11. The Board authorized the Records Management officer to destroy notes of Board of Directors meetings from January 3, 2011 to January 9, 2012.
12. The Board authorized the consultants to research the status of unclaimed property held by the District and create a report for same if required

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 July 9, 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
Rosalind Theriot, Director

All of said persons were present, therefore constituting a quorum.

Also present were Sergeant Blackledge 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"); Karl Skarboszewski of Environmental Development Partners, L.L.C. ("EDP"); Michael Arterburn of Utility Tax Service, L.L.C.; Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH"); Edward Jones of Hewlett Packard ("HP"); Jessica Dixon of CB Richard Ellis ("CBRE"); Brian Attaway of Trammell Crowe Company; and Jacquelin Harvell, administrative assistant.

The meeting was called to order at 6:00p.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 Rhodes, the Board voted unanimously to approve the minutes of the June 4, 2012 meeting with the discussed revisions to the cost of the security cameras.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeant Blackledge, current officer for the District. The Officer then reported recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for June 2012, attached hereto as **Exhibit A**. Sergeant Blackledge informed the Board that during the period there were eight alarm calls and one issue at the credit union on Compaq drive. He also stated that the majority of the concerns for the month were traffic related, and he verified that the patrol hours had been modified as requested. The Board had some discussion about a rumored break in, which the officer noted he would look into. The Officer then exited the meeting.

TAX ASSESSOR-COLLECTOR REPORT

Mr. Michael 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 June 30, 2012 a copy of which is attached hereto and considered a part of these minutes as **Exhibit B.**

Mr. Arterburn reviewed the cash balance, receivables in June, checks to be signed, transfers, and noted that collections for tax year 2011 were at 99%. Mr. Arterburn briefly discussed the preliminary value report from the appraisal district and noted that it reflected an 8.65% increase in value for the District. He further discussed the potential for value decrease and the protest that is going on presently. Finally, Mr. Arterburn stated that the lift station deed has been entered into the system as Mr. Glausser did sign the deed and it was filed with the appraisal district ("HCAD").

After some discussion, Director Nicosia made a motion that the Board approve the Tax Assessor's Report and approve the payments reflected therein. Director Garner seconded the motion, which carried unanimously.

At this time Mr. Arterburn exited the meeting.

PUBLIC POWER POOL PROPOSAL

The Board next acknowledged Dennis Eby, who handed out his report including material regarding the Public Power Pool and potential energy contracts, a copy of which is attached hereto as **Exhibit C.**

Sargent Blackledge re-entered the meeting at this time and was recognized by the Board. He informed the Board that he had obtained information regarding the rumored break-ins. He stated that both Lakewood and Champions subdivisions had recently reported incidents where an African-American female had knocked on the door with a knife and attempted to force herself into the home to steal money. The Board thanked Sargent Blackledge for clarifying that issue and the officer exited the meeting again.

Mr. Eby once again was given the floor and discussed the Public Power Pool ("PPP") Proposal. At this time Mr. Eby explained that the PPP was attempting to solicit a three year contract for the upcoming pool term. He stated that natural gas is thought to be at a historic low price and that it will likely be more costly in the upcoming years. Mr. Eby reviewed his report and the bid that he had solicited for \$0.044 per kilowatt hour. He noted that the PPP is projecting a \$0.047 rate. At this time the Board had some discussion about the rates, the potential for a blended contract, and the decision whether to remain in the PPP or opt-out and contract with a different electricity provider. The Board noted that if it wished to opt out of the PPP for the next contract term (to begin January 1, 2014), it would be required to adopt a resolution evidencing

that intent at tonight's meeting. At the conclusion of this discussion, Director Rhodes motioned that the District remain in the PPP for the upcoming contract years. Director Garner seconded the motion which carried without dissent.

Mr. Creed and Mr. Attaway entered the room during this discussion.

ACCEPTANCE OF QUALIFICATION STATEMENT, BOND, OATH OF OFFICE, AFFIDAVIT OF CURRENT DIRECTOR AND ELECTION NOT TO DISCLOSE CERTAIN INFORMATION FOR DIRECTOR RHODES

Acceptance of Qualification Statement, Bond, Oath of Office, Affidavit of Current Director and Election Not to Disclose Certain Information for Director Rhodes was considered by the Board. It was noted that the items had been filed with the District.

Upon motion by Director Theriot, seconded by Director Garner, and carried unanimously, such items were accepted by the Board and Director Rhodes was declared to be duly re-elected and a qualified Director of the District.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Skarboszewski presented and reviewed with the Board the Operations and Maintenance Report dated July 6, 2012, a copy of which is attached hereto as **Exhibit D**.

Mr. Skarboszewski initially discussed the Lonestar College backflow preventor. He stated that EDP had quoted pricing for the double check and backflow preventor valve and is waiting for payment from Lonestar prior to scheduling the installation. Mr. Skarboszewski next noted the water quality report and stated that it was mailed out to customers with the June bill and thereby met the July deadline. Mr. Skarboszewski further discussed the Operator's report including billing and connection accounts. He also noted that, per the water quality monitoring report, the spike in Heterotrophic Plate Count ("HPC"), a disinfectant chemical, that was seen in previous months has returned to normal. Mr. Skarboszewski then reviewed the water production report and the accountability averages. He also stated that the water plant was operating within normal range and that there were no permit violations for the month. Director Theriot also mentioned that she was able to get a tour of the District plant facilities as requested by the Board.

Mr. Eby asked the Board to note the loading of the wastewater treatment plant at 61%. He noted that this is not a concern at present, however, in the upcoming years it needs to be a consideration as additional commercial development is added. Mr. Eby briefly discussed the construction projects within the District including Trammell Crowe's Buildings 14 & 15, the Centre at Cypress Creek's modifications, and the potential hotel discussed by Genesis. He stated that between those projects the loading number will increase and that if it hits 75% it will require action. He explained that once loading reaches 75% for 3 consecutive months the TCEQ will require the district to either begin designing a plant expansion or file documentation supporting

that an expansion will not be required. Mr. Eby stated that he wanted the Board to be familiar with this operating procedure and give it some consideration when planning for District growth.

Mr. Skarboszewski next reviewed the customer service report showing 3 calls. Finally Mr. Skarboszewski noted that there were no disconnects and there were no overdue bills for the month. He stated that he checked this three times because it is such an anomaly for everyone to be paid during one month. At this time President Geaslen asked for the usual listing of itemized billing. Mr. Skarboszewski stated that he would email the itemized report to the Board within the next day.

Following some discussion Director Theriot made the motion that the Operator's Report be approved. Director Nicosia seconded the motion, which carried unanimously.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated July 9, 2012, relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit E**.

Mr. Eby first discussed the review of the plans for the Trammell Crowe buildings. He stated that the plans submitted have been revised to meet approval for the most part. He noted that there were a few small issues that they were working out, as noted in the plan review letters attached to his report. He also stated that the issue of the District providing service to the developer's parking garage, which is located outside of the District, needs to be reviewed. Mr. Attaway agreed to discuss this during his developer's report.

Mr. Eby next discussed the items on his report concerning the park. He verified that work had been done on the gazebo to clean its roof and re-stain the wood posts. Additionally, he stated that the concrete was power washed. Mr. Eby noted that the invoice for the gazebo work from Mr. Schuett was included in his report. Mr. Eby also noted the invoice from SignQuick for the park signs that were ordered recently for pedestrians, bicycle, and motorized vehicle traffic. Mr. Eby next addressed the invoice from Jones Road Tree Service and stated that the work was near the detention pond on Cypresswood Drive where they cut down 18 trees. Mr. Eby asked that the Board review the proposals he solicited for mulch at the park. After finding that the recycled rubber cost approximately twice the amount of wood mulch, Director Rhodes motioned that Mr. Eby be given approval to have the wood mulching completed by Adams Constructors at the quoted price of \$3,850.00. Director Nicosia seconded the motion which carried without dissent. Mr. Eby also reviewed his findings regarding replacements for the "Tot Seats" swings at the park. Upon some discussion Director Rhodes motioned that Mr. Eby be given authorization to replace the swings per the estimate from BJ Services for \$380.00. Director Garner seconded the motion which carried without dissent.

Mr. Eby discussed the proposals for re-contouring the pond area. He informed the Board that he had requested the work be done in two stages, one to reshape it and allow it to drain, the second after the draining phase to reclaim or fill the area as needed. He noted that the pond will

drain to the inlet at the end of the drainage swale and then into the creek. Mr. Eby advised that the area should be allowed to dry naturally. He noted that if in a few years the area is dry it can be filled or modified as desired. After some discussion, Director Garner made a motion that Mr. Eby be authorized to have the pond re-contoured for draining by Ricketts Site Work based upon its proposal of \$2,110.00. Director Rhodes seconded the motion which carried unanimously.

At this time Director Theriot stated that she was at the park recently and noted the fence by the skate park was broken. Mr. Eby stated that Mr. Schuett had just fixed the split rail fence recently and that Mr. Schuett had recently bolted the fence to the post to prevent people from removing the rails. The Board requested that Mr. Eby take a look at the park and check the condition of the fence. The Board further requested that if Mr. Eby did find the fence to be broken, that he obtain bids to replace the split rail fence with something more permanent. President Geaslen next asked about the domes that should cover the fixtures at the park. Mr. Eby explained that it appears that they had been vandalized with a bat. He explained that Mr. Schuett has had trouble locating replacement domes, but that they are still working on those. The Board also noted for Mr. Eby four (4) other dead trees needing removal around the park and requested that he obtain a quote from Jones Road Tree Service for such removal and to have them proceed with the work.

Finally, Mr. Eby informed the Board that the Centre at Cypress Creek is almost completely finished with all work he requested. He stated that all abandoned lines are plugged, the backflow preventors have been installed, and that the meter has now been activated. Mr. Creed noted that the previously approved consent to encroachment for paving still needs to be completed once the Centre's plans are approved.

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

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated July 9, 2012, a copy of which is attached hereto as **Exhibit F**, including the checks presented for payment.

Ms. Redden discussed the receivables and checks presented for signature, including a check from the Tax Assessor and voided checks. She also reviewed the investment sections of her report. Ms. Redden clarified, upon inquiry, that R & C Joy Inc. is the testing facility for the wastewater samples. Ms. Redden discussed the upcoming necessary transfer of funds to cover the scheduled bond payment. She also discussed the debt service fund requirements and the Strategic Partnership Agreement revenues. She noted the electricity usage report on page 10, annual depreciation credit on page 11, and reviewed the revenues and expenditures. She also asked the Board to review page 17 of her report for information on the budget comparison as those issues would be discussed at the next meeting.

Ms. Redden noted that a review of the draft budget should be added to the agenda for the upcoming August meeting.

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

DEVELOPERS' REPORTS

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

At this time Brian Attaway, representative for TCH Northwest Associates, L.P., addressed the concerns surrounding water supply to the parking garage which is located in Malcomson Road Utility District (“Malcomson”). Mr. Attaway noted that the water supply for the garage’s fire protection system is provided through Lonestar’s private system currently. He noted that they are required to disconnect from Lonestar’s system and wish to have the water supply for the garage be provided from the same source as is providing it to their Buildings No. 14 and 15 in order to maintain proper pressure and minimize expenses. He noted that Buildings No. 14 and 15 receive water supply from the District and that pumps installed at Building 14 provide sufficient pressure to supply the water to the garage as well

After some discussion, the Board noted that in such a case the District either wants Malcomson to supply the water to the garage or to share in the tax revenues from such property. Mr. Attaway agreed to work with Mr. Creed and Mr. Eby on the issue.

Finally, Mr. Attaway noted that Malcomson has stated that it can provide water and sanitary sewer service to the building that Trammell Crowe is planning to build in the future on the vacant tract located in Malcomson.

HEWLETT-PACKARD COMPANY

Mr. Edward Jones of Hewlett-Packard (“HP”) was present at the meeting and stated that his predominant concern was the transfer of the irrigation meters from HP to Trammell Crowe. He noted that before this could happen Trammell Crowe has to complete a few items and send Mr. Eby some final paperwork. He asked that he be given a letter of intent from Trammell Crowe written to the District to satisfy the obligation so that the irrigation meters could be transferred immediately. He noted that this letter would have to state that Trammell Crowe commits to put the backflow preventor in place, pay associated costs and address all other items identified in Mr. Eby’s plan review letters. Mr. Attaway agreed to provide the requested letter to the District. Director Rhodes made a motion that, upon receipt of the letter of intent in a form acceptable to the District, the Board approve the transfer of irrigation meters from HP to Trammell Crowe. This motion was seconded by Director Garner and carried without dissent.

CENTRE AT CYPRESS CREEK (“The Centre”)

Ms. Dixon informed the Board that the Centre had completed the installation of the second backflow preventor. She further stated that the Centre had acquired a few more tenants that were predominantly office-type vendors and that the Centre is at approximately 90% occupancy.

LONE STAR COLLEGE SYSTEM (“LONESTAR”)

Director Garner stated that there was no new business pertaining to Lonestar College.

GENESIS CAPITAL PARTNER, L.L.L. (“GENESIS”)

No representative of Genesis was present at the meeting

UTILITY COMMITMENT REQUESTS

There were no utility commitment requests presented for consideration.

CONSIDER REQUEST FROM RECORDS MANAGEMENT OFFICER TO DESTROY NOTES OF BOARD OF DIRECTOR MEETINGS FROM JANUARY 2011 TO JANUARY 2012

The Board considered a request from the Records Management officer to destroy notes of Board of Directors meetings from January 3, 2011 to January 9, 2012. Upon some discussion, motion was made by Director Garner to approve this request. The motion was seconded by Director Rhodes and carried unanimously.

UNCLAIMED PROPERTY REPORT

Director Rhodes made a motion to authorize the consultants to research the status of the District’s unclaimed property and to prepare a report as of June 30, 2012, for the period ending June 30, 2009, to be filed with the state comptroller if necessary. Director Theriot seconded the motion and it carried without dissent.

ATTORNEY'S REPORT

The Board next considered the attorney's report as presented by Mr. Creed.

Mr. Creed next reviewed with the Board the language concerning the District's provision of an evaporation credit for water utilized by commercial cooling equipment and not returned to the District's sanitary sewer system, as adopted at the Board's June meeting.

Mr. Creed presented the Board with a survey request that it had received from the U.S. Census Bureau. The Board chose to respectfully decline to respond to such survey.

Mr. Creed informed the Board that Mr. Glausser did sign the special warranty deed for the lift station site and the deed had been recorded in the real property records. He stated that the District now officially owns the title to the tract and it will come off the tax roles.

President Geaslen then showed the Board a clock/wall plaque which was commissioned for former Director Jeff Carlyle. The Board asked that the item be presented to Mr. Carlyle in appreciation for his years of service.

Director Theriot was then asked for an update on the website. She informed the Board that Don Dulin had completed the updates as requested and Mrs. Harvell is now able to complete future revisions as needed. She stated that there was some information that needed to be updated and a map that needed to be added, and that she would discuss those items with Mr. Eby and Mrs. Harvell.

At this time consideration was given to the Greenway Trail Project. The Board decided to remove this item from future agendas. Finally the Board asked if there were any other items that needed consideration or placement on the next agenda. No further items were discussed for placement on the agenda.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Rhodes made a motion to adjourn at 7:30 p.m., duly seconded by Director Nicosia, which carried unanimously.

Secretary

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