

HARRIS COUNTY MUNICIPAL UTILITY DISTRICT NO. 286

Minutes of Board of Directors Meeting
February 4, 2013

ACTIONS TAKEN

1. The Board of Directors ("Board") voted to approve the minutes of the January 7, 2013 meeting as written.
 2. The Board approved the Harris County Constable's Security Patrol Report and Interlocal Agreement For Law Enforcement Services between Harris County and the District.
 3. The Board approved the Tax Assessor-Collector's Report as presented by Utility Tax Service L.L.C., including payment of the bills associated therewith.
 4. The Board approved the draft Audit Report for fiscal year ended September 30, 2012, authorized the President to execute the Annual Filing Affidavit on behalf of the Board and the District, and filing of the Audit Report and Annual Filing Affidavit with the appropriate governmental authorities, including the Texas Commission on Environmental Quality ("TCEQ").
 5. The Board approved the renewal proposal from AquaSurance, L.L.C. ("Aqua") of the District's various insurance coverages.
 6. The Board approved the Operations and Maintenance Report presented by Eric Thiry of Environmental Development Partners, L.L.C. ("EDP").
 7. The Board approved repairs to the valve and flare at the Water Plant by New Tech Global at a cost not to exceed \$10,000.
 8. The Board approved a proposal from JACH Controls & Automations, LLC ("JACH") in the amount of \$6,300 relative to installation of a Supervisory Control and Data Acquisition ("SCADA") system at Water Plant No. 2.
 9. The Board approved the construction of a chloramines line between the storage tanks at the Water Plant No. 1.
 10. The Board approved the Engineering Report and the invoices presented by Eby Engineers, Inc.
 11. The Board approved the Bookkeeper's Report as presented by Claudia Redden & Associates, L.L.C., including the checks presented for payment.
 12. The Board authorized the District's bookkeeper to proceed with the transfer of the District's various accounts held at Amegy Bank to Compass Bank.
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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 February 4, 2013 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
Michael Rhodes, Secretary
Steve Garner, Assistant Secretary
Rosalind Theriot, Assistant Secretary

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

Also present were Sergeant James Rouse and Sergeant James Blackledge of the Harris County Constable's Office, Precinct No. 4; Claudia Redden of Claudia Redden & Associates L.L.C. ("Redden"); Dennis Eby of Eby Engineers, Inc. ("Eby"); Andrew Phelps of Environmental Development Partners, L.L.C. ("EDP"); Michael Arterburn of Utility Tax Service, L.L.C.; Paul Vangrieken of Genesis Capital Partners L.L.C. ("Genesis"); Edward Jones of Hewlett-Packard Company ("HP"); Kevin Schmok of Trammell Crow Company ("Trammell Crow"); Mark Eyring of Roth & Eyring, PLLC ("Roth"); and Spencer Creed of Schwartz, Page, & Harding, L.L.P. ("SPH").

President Geaslen called the meeting to order at 6:00 p.m. and declared same open for such business as might properly come before it.

APPROVAL OF MINUTES

The President asked that the approval of past minutes be given first consideration. After review, upon motion made by Director Rhodes, seconded by Director Nicosia, the Board voted unanimously to approve the minutes of the January 7, 2013 meeting, as written.

SECURITY PATROL REPORT BY THE CONSTABLE'S OFFICE

The President recognized Sergeants Rouse and Blackledge, who then reported on recent activities within the District, as noted on the Harris County Constable's Security Patrol Report for January 2013, a copy of which is attached hereto as **Exhibit A**.

Mr. Creed next presented and reviewed the Interlocal Agreement For Law Enforcement Services between Harris County and the District for the March 1, 2013 through February 28, 2014 term, a copy of which is attached hereto as **Exhibit B**.

After discussion of the aforementioned matters, Director Garner moved that: (i) the Security Patrol Report be approved as presented, and (ii) the Interlocal Agreement for Law Enforcement Services by and between Harris County and the District be approved and that the President be authorized to execute and the Secretary to attest same on behalf of the Board and District. Director Theriot seconded said motion, which unanimously carried.

TAX ASSESSOR-COLLECTOR REPORT

The Board next considered the Tax Assessor-Collector Report. In connection therewith, Mr. Arterburn presented and reviewed with the Board the Tax Assessor-Collector's Report dated as of January 31, 2013, a copy of which is attached hereto as **Exhibit C**. He reviewed the total receivables, the cash balance, disbursements, and checks as reflected in the report. After discussion of the aforementioned matters, Director Theriot 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 Garner seconded said motion, which carried unanimously.

Mr. Eyring entered the meeting at this time.

AUDIT REPORT FOR FISCAL YEAR ENDED SEPTEMBER 30, 2012

Mr. Eyring presented and reviewed with the Board a draft of the District's Audit Report prepared by Roth for the fiscal year ended September 30, 2012, a copy of which is attached hereto as **Exhibit D**. In connection with the District's Audit Report, Mr. Eyring presented the Board with a draft Management Letter prepared by Roth, concerning the Board's internal controls over financial reporting (the "Management Letter"), a copy of which is attached hereto as **Exhibit E**. Following discussion concerning the Audit Report presented, Director Theriot moved that: (i) the Audit Report for the fiscal year ended September 30, 2012, be approved, (ii) that the President be authorized to execute the Annual Filing Affidavit on behalf of the Board and the District, and (iii) that such Audit Report and Annual Filing Affidavit be filed with the appropriate governmental authorities, including the TCEQ. Director Garner seconded said motion, which unanimously carried.

RENEWAL OF DISTRICT INSURANCE POLICIES

The Board next considered the renewal of the District's general liability, umbrella liability, property, boiler and machinery, director and officer liability, and pollution liability insurance coverage scheduled to expire March 31, 2013. In that regard, the Board discussed the renewal proposal received from the District's current insurance carrier, AquaSurance, L.L.C. ("Aqua"). After discussion on the matter, Director Rhodes moved that the renewal proposal by Aqua be accepted and that the President be authorized to execute the accepted proposal on behalf of the Board and the District. Director Theriot seconded said motion, which unanimously carried. A copy of the accepted proposal from Aqua is attached hereto as **Exhibit F**.

OPERATIONS REPORT

The Board next considered the Operations and Maintenance Report. In connection therewith, Mr. Phelps presented and reviewed with the Board the Operations and Maintenance Report dated January 31, 2013, a copy of which is attached hereto as **Exhibit G**.

Director Geaslen queried Mr. Phelps concerning the phone service at Water Plant No. 2. He stated that he was under the impression that the alarm system at the Plant was connected to the phone line, but noted that there was not a phone at the Plant. A discussion ensued concerning

the possibility of having the alarm system connected wirelessly. Mr. Phelps advised that he would follow up on the matter with Mr. Thiry.

A discussion then ensued concerning security measures at the District's facilities. In connection therewith, Director Geaslen queried Mr. Phelps as to whether a sign could be installed at the water plant site stating that the wiring within the plant is made of aluminum as a means to deter thieves. Mr. Phelps stated he would research the cost of same. Director Geaslen additionally inquired as to the (i) installation of an enclosure for the lock at the pipe gate entrance to the plant driveway and the cost associated with same, (ii) installation of signs at the plant sites notifying of cameras onsite, and (iii) patrolling of the fence line at the plant sites weekly to monitor any disturbances to the fence. Mr. Phelps responded that he would also research those matters and report back at next month's meeting.

A discussion next ensued concerning the annual Water Loss Audit to be filed with the Texas Water Development Board prior to the March 31, 2013, deadline.

Mr. Phelps then presented and discussed with the Board a list of delinquent District customers, a copy of which is attached to the Operations and Maintenance Report. He noted that there were 18 accounts named in the delinquent list. After discussion, Director Theriot moved that (i) the Operations and Maintenance Report be approved as presented and (ii) to authorize EDP to terminate water service to the accounts listed on the delinquent list in the manner specified in the District's Rate Order if payment for same is not received by the District prior to the deadline. Director Nicosia seconded said motion, which unanimously carried.

ALTERNATIVE PAYMENT PROGRAM

In connection with the implementation of an alternative payment program for payment of customer utility bills, Mr. Phelps reported that the District will first need to open an account with Compass Bank, which he noted that the District's bookkeeper is currently in the process of setting up. He advised that once an account has been established, Compass Bank will generate the agreements relative to such programs for review by SPH. In light of the foregoing, the Board deferred any action on the matter at this time.

ENGINEERING REPORT

President Geaslen then recognized Mr. Eby for presentation of the Engineer's Report dated February 4, 2013 relative to the status of various projects within the District, a copy of which is attached hereto as **Exhibit H**.

In connection with the inspection of the flare at the water plant, Mr. Eby reported he was notified by Jeffery Cummins of New Tech Global that the valve installed to the flare as a means to regulate the gas pressure is leaking. He stated that Mr. Cummins recommended the valve be repaired along with the flare, which is also not working properly. After discussion, Director Rhodes moved that New Tech Global be authorized to make the necessary repairs to the valve and flare at a cost not to exceed \$10,000. Director Theriot seconded said motion, which carried unanimously. Mr. Eby additionally advised that he is also working with Mr. Cummins to test the

well for the depth of the water level and will keep the Board apprised of any new development relative to same.

Mr. Eby advised that Water Plant No. 2 needs painting and that he recommends it be scheduled for the District's Capital Improvement Program. Following discussion, the Board requested Mr. Eby to obtain bids for the project to be considered at the next meeting.

A discussion next ensued concerning the SCADA system at Water Plant No. 2. Mr. Eby advised that the District has been receiving service from AT&T for the past 15 years for the phone line between Water Plant Nos. 1 and 2. He stated that he was notified by a field operator that the line has not been operational in the past few months. Mr. Eby then recommended that such phone line be replaced and presented a proposal from JACH in the amount of \$6,300 relative to installation of a SCADA system, a copy of which is attached to the Engineer's Report. After discussion, Director Nicosia moved that the proposal from JACH be approved and that such project be paid from the District's capital improvement fund. Director Garner seconded said motion, which carried unanimously. The Board additionally requested that Mr. Eby contact AT&T to terminate service on the phone line between Water Plants Nos. 1 and 2, to which he agreed.

Mr. Eby then advised that he has reviewed and approved plans for the Noble Energy Center, which he noted is the former HP buildings 14 and 15. He stated that the buildings have been disconnected from HP's fireline and will be connected to the District's facilities in the near future.

Mr. Eby then discussed with the Board correspondence regarding the transfer of water service for the Central Plant from HP to Lone Star College, a copy of which is attached to the Engineer's Report. Director Garner advised that he and Mr. Jones and Mr. Eby would meet to discuss the appropriate form of letter to be written by Lone Star College to the District which addresses the previously identified conditions for transfer of the service account and for which Lone Star College is responsible.

After discussion of the report, Director Nicosia moved that the Engineering Report be approved as presented. Director Theriot seconded said motion, which unanimously carried.

Mr. Eyring exited the meeting during the previous discussion.

A discussion ensued concerning water quality in the District. In connection therewith, Mr. Eby advised that he had looked into the issue with Mr. Thiry. He recommended that a chloramines line be constructed between the two storage tanks at Water Plant No. 1 in order to maintain the chlorine residuals above minimum levels in the distribution system. Mr. Eby stated that he did not believe that the cost to construct such line would be significant. After discussion, Director Nicosia moved that Eby be authorized to have a chloramines line constructed between the two tanks at the District's water plant as discussed.

ANNUAL REVIEW OF WAGE RATE SCALE

The Board next deferred the annual review of its Prevailing Wage Rate Scale for construction projects until next month's meeting.

BOOKKEEPING REPORT

The Board considered the Bookkeeper's Report. In connection therewith, Ms. Redden reviewed with the Board the Bookkeeping Report dated February 4, 2013, a copy of which is attached hereto as **Exhibit I**, including the checks presented for payment. Ms. Redden noted that \$150,000 will be transferred from the general operating fund and invested at MBIA and that such transaction will be reflected in next month's report.

A discussion then ensued regarding the attendance of Directors Nicosia and Garner at the AWBD Summer Conference and the pre-payment of the directors' hotel accommodations.

After discussion, Director Garner moved that the Bookkeeping Report be approved as presented and that the pre-payment of Director Nicosia's and Garner's hotel accommodations for the conference be approved as requested. Director Theriot seconded said motion, which unanimously carried.

Ms. Redden next recommended that the Board consider transferring all District funds held at Amegy Bank to Compass Bank. After discussion, Director Rhodes moved that Redden be authorized to transfer the District's various accounts held at Amegy Bank to Compass Bank as recommended. Mr. Creed advised that he will add an item to next meeting's agenda to approve an Order Selecting Depository and Collateral Security Agreement with Compass Bank.

DEVELOPERS' REPORTS

HP

The Board next considered the development in the District by HP. In connection therewith, Mr. Jones requested that the account for the Noble Energy Center be transferred to TCH Northwest Associates, L.L.C. Mr. Eby stated that he has no objection to same. It was noted that the Board was agreeable to such request.

Mr. Jones next advised that work had previously been done by the District on HP's property to address erosion within the drainage ditch and noted that there is apparently still an outstanding permit issued in the name of the District relative to such project. Mr. Jones requested that the District close the permit so that it will not impair their ability to obtain additional County permits in the future. Mr. Eby advised that he would research and address the matter accordingly.

GENESIS CAPTIAL PARTNER, L.L.C. ("GENESIS")

The Board then considered the development in the District by Genesis. In connection therewith, Mr. Vangrieken presented and reviewed an updated schedule of surcharge revenues received from the District and an associated loan amortization schedule, a copy of which is attached hereto as **Exhibit J**.

In connection with the hotel project, Mr. Vangrieken advised that the preliminary site plan includes approximately 145 rooms with an enlarged conference room. He stated that the site will need to be re-plated as the original area has been expanded. A discussion then ensued regarding facilities to be constructed to serve the property.

CENTRE AT CYPRESS CREEK ("THE CENTRE")

The Board then deferred consideration of the development in the District by The Centre as no representative was present to discuss same.

LONE STAR

The Board then deferred consideration of development in the District by Lone Star after Director Garner advised that he has nothing new to report concerning same.

ATTORNEY'S REPORT

The Board next considered the attorney's report. In connection therewith, Mr. Creed presented and reviewed a request received from the U.S. Department of Commerce Economics and Statistics Administration - U.S. Census Bureau regarding the completion of the 2012 Census of Governments Survey of Local Government Finances ("Survey"), a copy of which is attached hereto as **Exhibit K**. He noted that the completion of same was voluntary. After consideration on the matter, the Board unanimously agreed to not complete the Survey.

DISTRICT WEBSITE


In connection with the District's website, Director Theriot advised that the website is up-to-date.

OTHER MATTERS

The Board next discussed rescheduling its next Board of Directors meeting. After discussion, the Board agreed to reschedule the meeting to March 11th at 6:00 p.m.

ADJOURNMENT OF BOARD MEETING

Citing no further business to come before the Board at this time, Director Nicosia made a motion to adjourn at 7:21 p.m., duly seconded by Director Garner, which carried without dissent.



Secretary

LIST OF EXHIBITS

- Exhibit A. Harris County Constable's Security Report
- Exhibit B. Interlocal Agreement for Law Enforcement Services
- Exhibit C. Tax Assessor-Collector's Report
- Exhibit D. Draft Audit Report
- Exhibit E. Management Letter
- Exhibit F. Accepted Insurance Proposal from Aqua
- Exhibit G. Operations and Maintenance Report
- Exhibit H. Engineer's Report
- Exhibit I. Bookkeeper's Report
- Exhibit J. Genesis' loan amortization schedule
- Exhibit K. U.S. Census Survey