

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 21, 2008

THE STATE OF TEXAS §
COUNTY OF HARRIS §
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1 §

The Board of Directors (the "Board") of Cypress Hill Municipal Utility District No. 1 (the "District") met in regular session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on November 21, 2008, at 11:00 a.m.; whereupon the roll was called of the members of the Board, to-wit:

Ronald S. Koehn, President
Robert Henry, Vice President
Angell Swedlund, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Tracy Riley of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Brandi Hebert of District Data Services, Inc., bookkeeper for the District; Mr. Bill Hixon of Cymill Partners, developer of land within the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Sergeant Blackledge, constable for the District; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"), attorneys for the District.

The meeting was called to order in accordance with the notice posted pursuant to law: Chapter 551, Texas Government Code and Section 49.063, Texas Water Code (copies of certificates of posting or mailing are attached hereto as Exhibit "A"); and the following business was transacted:

1. **Minutes of the meeting of October 17, 2008.** The proposed minutes of the meeting of October 17, 2008, previously distributed to the Board, were presented for review and approval. Upon motion by Director Swedlund, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of October 17, 2008 as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the Board. He stated that there were nine emails regarding billing and disconnect issues which were forwarded to Eagle Water for management. Director Bryant reported that there seven emails related to other District issues, such as fencing. He reported that the repaired fence will be painted soon.

Director Bryant reported that the Cypress Mill Homeowners Association emailed about low water pressure. Mr. Riley reported that he investigated the reported low water pressure location and that the fire hydrant had sufficient water pressure. He stated there was no evidence of low water pressure in the vicinity.

Director Bryant reported that Ms. Cunningham emailed about adding flyers to the mailing of the Consumer Confidence Report to inform the residents of a charity that collects and ships care packages to U.S. serviceman overseas. He reported that he conferred with Ms. Ellison on the matter and requested that Ms. Ellison respond to the request. Ms. Ellison reported that the District could not pay for any extra costs associated with including the flyers and the District would have to establish non-discriminatory criteria for the charities it helps. She stated that an explanation was provided to Ms. Cunningham on why the District could not assist with the flyer mailing.

3. **Security report and any necessary action.** The President recognized Sergeant Blackledge, who presented to and reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge reported that the doughnut shop was broken into a second time and that the security cameras may be useful in the investigation. Sergeant Blackledge reported that there was a home break-in on Rosehill Park.

4. **Renew Interlocal Agreement for Law Enforcement Services with Harris County and take any necessary action regarding District office.** Director Henry reported that he discussed the possible establishment of a constable substation at The Shoppes at Fry Road with Captain Staton. He reported that Captain Staton did not contact him regarding a decision on whether it would be acceptable. Mr. Pappas stated that Corinthian Fry Road Investors are willing to provide a twenty-four month lease for 1,200 square feet of space without charge for a constable substation at 26281 Northwest Freeway. He suggested that the District rent the space and noted that the District would have to pay for utilities and the build-out of the space. Mr. Pappas estimated that the build-out costs to be approximately \$5,000. Sergeant Blackledge stated that a substation at that location may be utilized by approximately 15-20 deputies serving the District and Harris County Municipal Utility District Nos. 391, 69 and possibly 386. It was the consensus of the Board to pursue approval by the Precinct 4 Constable's Office for the creation of a substation at The Shoppes at Fry Road. Director Henry said he would attempt to meet with Constable Ron Hickman. Ms. Ellison suggested that she draft a letter explaining the proposal prior to the meeting.

Director Henry reported that Sergeant Blackledge has requested equipment for the constables patrolling the District. He stated that the equipment includes five Serchie Fingerprint Kits at a cost of \$211.10 each, a Serchie Cynawand at a cost of \$164.99 and a Kustom Falcon Handheld radar gun at a cost of \$1,179.99 for a total cost of \$2,751.57. Sergeant Blackledge reported that the radar gun will assist in the prevention of speeding in the District. He stated that the radar gun has a two year warranty. Sergeant Blackledge reported that the fingerprint kits would assist in solving the burglaries in the District as the deputies are not supplied with fingerprint kits. He stated that solving the current outstanding burglaries will likely reduce future burglaries in the District. Sergeant Blackledge reported that the Cynawand is used to recover fingerprints from non-porous surfaces. Sergeant Blackledge reported that the equipment

would belong to the District and the radar gun would be locked in the office and checked out only for District deputies.

Ms. Ellison presented to the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "C." She stated that the Interlocal Agreement for Law Enforcement Services is for one sergeant and five deputies.

Upon motion by Director Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the purchase of five Serchie Fingerprint Kits at a cost of \$211.10 each, the purchase of a Serchie Cynawand at a cost of \$164.99 and the purchase of a Kustom Falcon Handheld radar gun at a cost of \$1,179.99 for a total cost of \$2,751.57. Upon motion by Director Bryant, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Interlocal Agreement for Law Enforcement Services.

5. Developers' Report, reimbursement issues and any necessary easements. The President recognized Mr. Hixon, who reported that Compass Bank is scheduled to open in mid-January. He reported that the new Alicia's Mexican Grille is open. Mr. Hixon reported that Daria's Italian Restaurant is scheduled to open by the end of January 2009. The President asked Mr. Hixon to have the silt fence remnants removed.

Mr. Pappas reported that the contractor is working on the punch list for the detention ponds. He stated that the installation of a driveway to US Highway 290 frontage road has been approved.

6. Recreational Facilities Planning/Harris County Flood Control District Partnership and Report on Homeowners Association matters. The President recognized Director Swedlund, who presented to and reviewed with the Board a GreenPros proposal for sprinkler repairs at a cost of \$590 and dead tree replacement and mulch at a cost of \$4,751, a copy of which is attached hereto as Exhibit "D." She reported that the detention ponds have improved in appearance. Director Swedlund reported that GreenPros' performance has improved.

Director Swedlund reported that the Cypress Mill Homeowners Association is not mowing the strip from the lift station to Cypress Chase Boulevard along the US Highway 290 frontage road. She stated that she would contact the Cypress Mill Homeowners Association regarding the mowing of the area.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the GreenPros proposal for sprinkler repairs at a cost of \$590, and dead tree replacement and mulch at a cost of \$4,751.

7. Tax Assessor-Collector's Report and payment of bills. The President recognized Ms. Bryant, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "E." Ms. Bryant noted that 98% of the District's 2007 taxes had been collected as of October 31, 2008.

The Board reviewed the Unpaid Accounts. Ms. Bryant reported that the delinquent tax attorney, Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), begins collection on July 1. She stated that the District may terminate water service for delinquent taxes past due for more than six months as long as renters are not living in the house. The President asked that Ms. Bryant notify Perdue that the District is willing to terminate water service for delinquent taxes. Ms. Bryant stated that she would notify Perdue and ask for a delinquent tax report for the next Board meeting.

Upon motion by Director Swedlund, seconded by Director Bryant, 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 the expenditures listed therein.

8. Bookkeeper's Report, Review Investment Report and payment of bills. The President recognized Ms. Hebert, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report and to authorize payment of the checks listed therein.

9. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses. The President recognized Mr. Hirshman, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Hirshman reported on development in Cypress Landing. He stated that Cypress Landing, Section Five is currently on hold.

Mr. Hirshman reported on development in Cypress Landing Park. He reported that DEC inspected the Cypress Landing Park detention ponds on November 20th and that the contractor is addressing the punch list items. Mr. Hirshman recommended approval and payment by Kimball Hill Homes of Pay Estimate #3 and final in the amount of \$14,317.91 to Terbo Construction, L.P. for the water, sanitary sewer and drainage to serve Cypress Landing Park, Section Two.

Mr. Hirshman reported that DEC is designing a generator for the wastewater treatment plant for power outages and that the plans will be submitted for approval within thirty days.

Mr. Hirshman presented to and reviewed with the Board the District Inventory Map. He reviewed the outstanding ownership issues which need to be resolved.

Upon motion by Director Bryant, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report and to approve payment by Kimball Hill Homes of Pay Estimate #3 and final in the amount of \$14,317.91 from Terbo Construction, L.P. for the water, sanitary sewer and drainage to serve Cypress Landing Park, Section Two.

10. **Report on District Property Inventory.** This item was covered under the Engineer's Report.

11. **Amend Consolidated Rate Order.** The President recognized Ms. Ellison, who presented to and reviewed with the Board a proposed amendment to the Consolidated Rate and Service Order, a copy of which is attached hereto as Exhibit "H." Ms. Ellison reported that the amendment specifies that the District may back charge a District customer for expenses incurred by the District due to the customer's negligence or improper actions and terminate water service for non-payment of back charges. She stated that the amendment also clarifies that the North Harris County Regional Water Authority pumpage fee is a pass-through to the customers.

Director Henry asked if the District was still charging the Cypress Mill Homeowners Association a flat rate per meter. Mr. Riley stated that he would review the rate charged to the Cypress Mill Homeowners Association ("HOA") for water used. The President asked that Mr. Riley calculate how much water the HOA uses and how much it costs the District as well as what is charged to the HOA.

Upon motion by Director Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the amendments to the Consolidated Rate and Service Order.

12. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "I." Mr. Riley reported that approximately 70 water terminations were performed last month due to delinquencies. He stated that the disconnect notice has a definite water termination date but that Eagle Water will be flexible if the resident calls and has a good payment history. Mr. Riley reviewed the water termination procedure with the Board. Ms. Ellison noted that Alicia's Mexican Grille, on the Disconnection List, has no deposit. Mr. Riley stated that he would investigate the deposit for Alicia's Mexican Grille.

Mr. Riley reported that he is researching necessary repairs for lift Station No. 1. He stated that a hydraulic bar screen and replacement of the controls are being considered. Mr. Riley reported that he would obtain a proposal by NTS for the replacement of the controls. He stated that it may be optimal to resize the starter and pumps and that he will discuss the pumping issues with NTS.

Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

13. **Renew District Insurance.** The President opened discussion to the Insurance Proposal by AquaSurance, a copy of which is attached hereto as Exhibit "J." The Board confirmed that the gazebo and Cypress Mill Park equipment were added to the proposal.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to accept the

Insurance Proposal by AquaSurance.

14. **Other matters.** No other matters were discussed.

15. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on December 19, 2008, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on December 19, 2008.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

