

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
August 21, 2009

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

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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 August 21, 2009, 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, except Directors Henry and Halloran. 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. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Sergeant Blackledge, constable for the District; Mr. Daniel Blackledge; Ms. Shirley Whitley, Mr. Don Staas and Ms. Dorothy Staas, District residents; Mr. Robert Deforest of KGA Deforest Design, L.L.C.; Mr. Robert Rohde of Principal Management Group of Houston, Cypress Mills Homeowners' Association, Inc. Community Manager; 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 meetings of July 17, 2009 and August 16, 2009.** The proposed minutes of the meetings of July 17, 2009 and August 16, 2009, previously distributed to the Board, were presented for review and approval. 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 minutes of July 17, 2009 and August 16, 2009, as presented.

2. **Public Comments and letters from residents.** The President recognized Ms. Whitley, who reported that she was billed for more than 60,000 gallons of water usage last month. She stated that her water usage averages 8,000 to 9,000 gallons per month. Ms. Whitley reported that there is no leak on her side of the water meter. She stated that the water bill stated that on July 28<sup>th</sup> her water meter read 361, with subsequent meter reads on August 8 and August 21 of 361 both times. Mr. Riley stated that Eagle Water has received hundreds of calls regarding high water usage and that it is due to the drought conditions. Director Swedlund reported that her water usage was 55,000 gallons for a family of four. Mr. Riley reported that over the last twelve months Ms. Whitley has average 7,400 gallons per month with the lowest at 5,000 gallons and highest at 10,000 gallons. Upon motion by Director Koehn, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to charge Ms. Whitley for last month based on her average water usage, to refund the difference, and to change the water meter as it appears to be stuck.

Director Bryant reported on emails to the District's website. He reported that there were three emails related to water service and billing which were forwarded to Eagle Water for handling. He reported that residents are asking about the North Harris County Regional Water Authority fee. Director Bryant asked that a link be added to the District web site that links to the North Harris County Regional Water Authority web site so residents can get more information on the North Harris County Regional Water Authority fee.

Director Bryant reported that an email requested a link to a search engine and suggested that the request be denied. He reported that one email was from someone looking for a job.

Director Swedlund asked about the email from Ms. Landheart regarding Eagle Water's handling of customer calls. Mr. Riley reported that Eagle Management had called Landheart and she is now satisfied.

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 July, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge reported that there were five car burglaries. He stated that one car was unlocked and two were in the Alicia's parking lot. Sergeant Blackledge reported that one car was broken into by jamming a screwdriver in the lock while a resident obtained a DVD from a Red Box machine. Sergeant Blackledge reported that there were ten criminal mischief incidents involving juveniles shooting ball bearings at cars. Sergeant Blackledge presented to and reviewed with the Board the Extra Patrol Stats, a copy of which is attached hereto as Exhibit "C." He reported that the extra patrol was only for two days in July.

4. **Award constable workspace build out, lease and any necessary action.** The President recognized Mr. Hirshman, who reported that fives bids were received for the Constable Lease Space Build-out. He reported that J. H. Premier Construction, Inc. was the low bid at \$69,869.00. Mr. Hirshman reported that the Constable Space construction contracts are ready for signature. He reported that the contractor is responsible for the necessary permits. Mr. Pappas reported that the Constable Space requires an electrical gutter and that another price for the electrical gutter is being obtained. Mr. Hirshman reported that the Constable Space project is

a 45 day project. Ms. Ellison reported that she had reviewed the performance and payment bonds in the construction contract, which had to be modified. Ms. Ellison reported that she has finalized the lease with Mr. Pappas for the Constable Space with the lease to begin September 1, 2009. She reported that the common area monthly cost for the Constable Space will be \$511.00, which includes insurance, taxes and common area costs.

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 award of the Constable Lease Space Build-out project to J. H. Premier Construction, Inc. and to approve the Lease Agreement with Corinthian Fry Road Investors, L.P., a copy of which is attached hereto as Exhibit "D."

5. **Developers' Report, reimbursement agreement and any necessary easements.** The President recognized Mr. Pappas, who reported that Kentucky Fried Chicken is under contract for a pad site. He reported that banks are inquiring about available space. Mr. Pappas reported 75% of the lease space is leased.

6. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Mr. Deforest, who presented to and reviewed with the Board the Cost Estimate for the Cypress-Rosehill Beautification Project, a copy of which is attached hereto as Exhibit "E." He reported that the Board's decisions to install a fence of pre-cast stone material averaging seven feet high and to install concrete trails on the west side of Cypress-Rosehill Road from Walgreens to Cypresswood Drive and on the east side from Cypresswood Drive to Cypress Mill Park Drive have been incorporated into the cost estimate. Mr. Deforest reported that the seven foot pre-cast stone fence costs \$65 per linear foot. He noted that the fence would be eight feet high at the District's facilities. He reported that the cost estimate includes irrigation, survey, geotechnical studies and the permit process.

Mr. Deforest presented to and reviewed with the Board a proposal for Landscape Architecture design by KGA Deforest Design, L.L.C. for the Cypress-Rosehill Beautification Project, a copy of which is attached hereto as Exhibit "F." He stated that \$4,500 would be credited to the District for the work already performed on the project.

The Board discussed how to communicate the plan to the residents. Mr. Rohde suggested putting the plan in the Messenger newsletter. The Board asked Ms. Ellison to prepare and provide the announcement of the Cypress-Rosehill Beautification Project to Mr. Rohde for distribution.

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 proposal for Landscape Architecture design by KGA Deforest Design, L.L.C.

7. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** The President recognized Director Swedlund, who presented to and reviewed with the Board GreenPros' proposals for irrigation system repairs at Moss Valley in the amount of \$325.00, removal of dead wax myrtles and replacement with wax myrtles and live oaks at Cypress Mill

Park 2 in the amount of \$737.00, and mulching of all tree rings and entry beds of the three detention ponds in the amount of \$4,160.00, a copy of which is attached hereto as Exhibit "G."

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 GreenPros' proposals.

Director Swedlund reported that Storm Water Solutions has subcontracted the detention pond mowing. She reported that a letter has been prepared requesting that Storm Water Solutions provide the District with proof of the subcontractor's insurance coverage.

**8. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts.** 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 "H." Ms. Bryant noted that 98% of the District's 2008 taxes had been collected as of July 31, 2009.

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 Tax-Assessor-Collector's Report and to authorize the expenditures listed therein.

**9. Approve Depository Pledge Agreement with Wells Fargo Bank for tax account.** The President recognized Ms. Bryant, who requested Board authorization to close the District's tax account at Compass Bank and transfer the account to Wells Fargo Bank. She then presented to and reviewed with the Board a Depository Pledge Agreement with Wells Fargo Bank, a copy of which is attached hereto as Exhibit "I." Ms. Bryant.

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 authorize transfer of the tax account to Wells Fargo Bank and to approve the Depository Pledge Agreement with Wells Fargo Bank.

**10. Bookkeeper's Report, Review Investment Report and payment of bills.** The President recognized Ms. Austin, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "J." Ms. Austin reported that Certificates of Deposit ("CD") in the Operating Fund will mature in September. She asked the Board if it wanted the CDs renewed at the best interest rate available for six-month terms.

Upon review of the Repair/Replacement Reserve and Operating Reserve, it was the consensus of the Board to increase Repair/Replacement Reserve to \$1,000,000 and remove the Operating Reserve.

The Board discussed the Southwest Water Company ("SWC") request for payment of an invoice in the amount of \$16,294.60. The President stated that the Board objected to paying for the rental pump repair when the SWC invoice was originally presented for payment because SWC damaged the rental pump, not the District. Mr. Riley stated that the District's pump was in the shop for repair for a long time and SWC failed to expedite repair of the District's pump. Director Bryant recalled that the pump was out for repair for at least six

months. Upon motion by Director Koehn, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve payment of \$12,315.60 to SWC, which is the original invoice amount of \$16,294.60 less the rental pump repair of \$3,979.00, with a letter explaining why the \$3,979.00 was withheld.

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 accept the Bookkeeper's Report, to authorize payment of the checks listed therein and to renew the maturing CDs at the best interest rate available for six-month terms.

**11. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, damage claims.** 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 "K." Mr. Hirshman reported that Centex Homes has requested Board authorization to advertise for utilities construction in Cypress Landing East, Sections Three and Four. He reported that DEC will review the plans for these sections prior to receipt of the bids.

Mr. Hirshman reported that DEC is working on the new wastewater flows for the wastewater treatment plant expansion. He stated that a lower flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that DEC is preparing the plans for the wastewater treatment plant generator. Mr. Staas asked if the generator plan preparation could be expedited. The President stated that DEC should make sure the District has a generator at the wastewater treatment plant in place prior to the next hurricane season.

Mr. Hirshman reported that the District needs the documents from the developer's engineer before it can accept the water, sanitary sewer and drainage facilities at The Shoppes at Fry Road.

Mr. Hirshman reported that the TCEQ has approved the pre-purchase inspection of the water lines and storm sewer at Fry Road for the Cymill Partners reimbursement.

Mr. Hirshman reported that Harris County is widening Cypress-Rosehill. He reported that the contractor encountered the District's service line to the fire station at two locations. Mr. Hirshman reported that the contractor, Angel Brothers Enterprises, Ltd., has provided a proposal for relocation of the waterline in the amount of \$2,560.00.

Mr. Hirshman reported that the Wal-Mart engineer is working on providing the plans so DEC can proceed on the protection for the backflow preventers at the back driveway to Walgreens.

Mr. Hirshman offered to contact Harris County Municipal Utility District No. 391 ("MUD 391") to request participation in the Cypress-Rosehill beautification project for the area that is adjacent to MUD 391.

Upon motion by Director Swedlund, seconded by Director Koehn, after full

discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report, to authorize Centex Homes to advertise Cypress Landing East, Sections Three and Four, utilities construction, to approve the waterline relocation by Angel Brothers Enterprises in the amount of \$2,560.00 as part of the Cypress-Rosehill Widening Project, and to authorize DEC to contact MUD 391 to request participation in the Cypress-Rosehill beautification project for the area that is adjacent to MUD 391.

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 "L." Mr. Riley reported that water usage indicates a drought and that the Harris-Galveston Subsidence District withdrawal permit has been amended.

The President reported that the North Harris County Regional Water Authority may increase the pumpage fee to \$2.25 or \$2.50 per 1,000 gallons in 2010.

Mr. Riley reported that the District has continued high water accountability. Mr. Hirshman stated that the interconnect locations should be confirmed. Mr. Riley reported that Eagle Water has confirmed that the Cypress Ridge interconnect is closed.

Mr. Riley reported that Angel Brothers Enterprises is completing the five waterline relocations that were discussed at the July Board meeting this week.

Mr. Riley reported that the wastewater treatment plant chlorinators require backup chlorine bottles and another set of scales. He requested Board approval of Clear Stream's proposal for backup chlorine bottles and another set of scale in the amount of \$4,300.

Mr. Riley reported that NTS is waiting on delivery of the pumps and controls for the lift stations.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order and to approve the additional wastewater treatment plant chlorinator rehabilitation by Clear Stream in the amount of \$4,300.

13. **Southwest Water Company Request for Payment.** This item was covered under the Bookkeeper's Report.

14. **Approve Continuing Disclosure Report and Authorize Filing.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Continuing Disclosure Report, a copy of which is attached hereto as Exhibit "M." Ms. Ellison reported that the Continuing Disclosure Report is an annual requirement which updates bondholders on the status of the District and includes the audit. She reported that Ms. Amy Lewis from Rathmann & Associates prepared the Continuing Disclosure Report and F&J reviewed it. 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 Continuing Disclosure Report and authorize its filing.

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

16. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on September 18, 2009, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

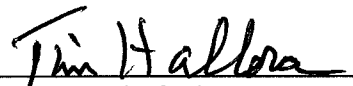
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on September 18, 2009.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

