

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
December 17, 2010

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 December 17, 2010, 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
David Templeton, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were 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. Bill Hixon of Cymill Partners, developer of land in the District; Mr. Jim Moore and Mr. Robert Moore of First General Realty; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Stephanie Lee of KGA Deforest Design ("KGA"); Sergeant Blackledge, constable for the District; Mr. Daniel Blackledge; Mr. Craig Rathmann of Rathmann & Associates, L.P., the financial advisor 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 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 November 19, 2010.** The proposed minutes of the meeting of November 19, 2010, previously distributed to the Board, were presented for review and approval. 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 minutes of November 19, 2010, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that one resident emailed regarding water bill payment via the Internet, which he forwarded to Eagle Water.

Director Bryant reported that a person from Harvest Bible Church emailed requesting the November meeting minutes. He reported that he informed the person that the minutes are available on the District web site once approved by the Board.

Director Bryant reported that a resident emailed to request his tax bill. He stated that the request was forwarded to Assessments of the Southwest.

Director Bryant reported that a resident emailed regarding radioactivity in the water because of recent television reports. He reported that the person did not live in the District and was provided the contact information for her operator.

3. **Security report and any necessary action.** The President recognized Director Henry, who suggested writing the Constable's Office to seek creation of a constable substation in the District. Ms. Ellison reported that the Lakes of Rosehill Homeowners Association was reviewing the cost of a deputy and was not ready to pursue an interlocal agreement with the District. It was the consensus of the Board that a letter to the Constable was premature because of the number of deputies serving the District and neighboring entities.

Sergeant Blackledge presented to and reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge reported that the damage to the bollards and curb by Walgreens is caused by the 18-wheeler trucks exiting Walgreens. Mr. Hixon stated that he will coordinate with Mr. Hirshman to find a solution.

The President reported that a recently planted District tree, once grown, will impair vision of a recently installed traffic light at the intersection of Cypress-Rosehill Road and Huffmeister Road. He stated that the District will probably have to relocate the tree but will wait for the completion of Harris County's study of the intersection due to a recent fatality.

4. **Update on Lakes of Rosehill Homeowner Association request regarding security and any necessary action.** This item was covered under Security Report.

5. **Developer's Report, reimbursement issues and any necessary easements.** The President recognized Mr. Hixon, who reported that some medical users have shown interest in a 3.7 acre tract. Mr. Hixon reported that Harris County has raised a concern regarding the intersection of Jardine Road and Cypress-Rosehill Road, which he will work on with Mr. Hirshman

Mr. Hirshman reported receipt of construction plans for an emergency medical clinic at The Shoppes at Fry Road.

The President reviewed Mr. Luton's email, stating that both model homes are open in Cypress Park and seven homes are under construction. He reported that four homes have sold and landscape improvements are underway along Mueschke Road. The President reported that park improvements will begin in January.

6. **Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and**

Authorizing Publication of Notice of Sale and any necessary action regarding bonds. The President recognized Mr. Rathmann, who presented to and reviewed with the Board a draft Preliminary Official Statement (“POS”) and Notice of Sale for the proposed sale of the District’s Unlimited Tax Bonds, Series 2011, a copy of which is attached hereto as Exhibit “C.” Mr. Rathmann reported that the Texas Commission on Environmental Quality (“TCEQ”) approved the issuance of \$2,875,000 in bonds. He informed the Board that the POS would be used to market the District’s bonds. Mr. Rathmann stated that the Board will receive bids to buy the Bonds on January 6, 2011, at a special Board meeting. Mr. Rathmann requested that the Board approve the POS, subject to F&J’s final review.

Ms. Ellison presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a POS and Authorizing Publication of Notice of Sale (“Authorizing Order”), a copy of which is attached hereto as Exhibit “D.”

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 POS subject to final legal review, the Notice of Sale, and the Authorizing Order.

7. Cypress-Rosehill Beautification Project and any necessary action.

a) **Bill of Sale and Conveyance of Homeowner Association Facilities.** The President recognized Ms. Ellison, who reported that a draft Bill of Sale and Conveyance of Homeowner Facilities (“Bill of Sale”) has been provided to the Cypress Mill Homeowner Association for review. She reported that the conveyance will convey the Cypress-Rosehill Beautification Project fence and landscaping to the Cypress Mill Homeowner Association (“HOA”) according to the Agreement for Development and Conveyance of Facilities between the District and the HOA. Ms. Lee stated that acceptance documents will be issued upon completion of the Cypress-Rosehill Beautification Project. Ms. Lee presented to and reviewed with the Board the Project Status Report, a copy of which is attached hereto as Exhibit “E.” She reported that Allgreen Associates will maintain the landscaping through January 15, 2011. It was the consensus of the Board to defer the Bill of Sale to the January 6, 2011 Board meeting.

Ms. Lee requested Board authorization to install two 65-gallon trees in the resident backyards on the northeast side of the project where two trees had to be removed for the fence installation. She reported that there is sufficient miscellaneous allowance remaining for the cost of the two trees.

Ms. Lee reported that the substantial walk through will occur next week. She reported that Allgreen Associates is working on the clover in the median. Ms. Lee reported that the irrigation leak at the Shell gas station has been repaired.

b) **Discuss street light costs and any necessary action.** The President reported that Mr. Hirshman contacted Harris County regarding street light installation; however, any street light installation is on hold until completion of the Harris County study of

the Cypress-Rosehill Road and Huffmeister Road intersection. Mr. Hirshman reported that Harris County stated it does not install street lights.

c) **Discuss Sydney Harbour landscaping costs and any necessary action.** Ms. Lee reported that she discussed the dead and dying trees along Cypress-Rosehill Road adjacent to Sydney Harbour with the Sydney Harbour Homeowners Association property management company. She reported that the property management company blames pine bark beetles for the dead trees. Ms. Lee stated that another possible reason for the dead trees is failure to repair the irrigation system after Harris County widened Cypress-Rosehill Road. She recommended replacement of 65 pine trees along Cypress-Rosehill Road adjacent to Sydney Harbour for a cost of approximately \$25,000. Director Bryant noted that pine trees will grow into the overhead wires. Ms. Lee stated that either Crape Myrtles or Laurel Oak trees would be good options. Ms. Ellison reported that the Sydney Harbour Homeowners Association is interested in the project but requested additional information and maintenance cost estimates. Ms. Lee stated that the maintenance cost will be similar to current costs except for the cost to water the median. Ms. Lee suggested the Sydney Harbour Homeowners Association consult its landscaping company for an estimate of the irrigation cost for the median. It was the consensus of the Board to defer tree installation until Sydney Harbour Homeowners Association has committed to assume maintenance and responsibility for the streetscaping along Cypress-Rosehill Road if the District installs the trees.

8. Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance. No action was taken on this item.

9. 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 "F." Ms. Bryant noted that 99% of the District's 2009 taxes had been collected as of November 30, 2010.

Ms. Bryant asked the Board if it wanted an aerial photograph of the District taken in January 2011. Mr. Hirshman reported that an aerial photograph of the District was just taken for the upcoming bond sale offering documents.

Upon motion by Director Bryant, seconded by Director Halloran, 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.

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 "G." Ms. Austin reported that the checks include Pay Estimate #5 to Fencecrete America, Inc. in the amount of \$53,320.95 for the fencing of the Cypress-Rosehill Beautification Project and Pay Estimates #6 and 7 to Allgreen Associates in the amounts of \$10,517.92 and \$40,943.61, respectively, for the landscaping of the Cypress-Rosehill Beautification Project.

Ms. Austin reviewed the Quarterly Investment Report, included in the Bookkeeper's Report.

Upon motion by Director Henry, seconded by Director Templeton, 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 approve the Quarterly Investment Report.

11. **Review Investment Policy.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "Resolution Reviewing the Investment Policy"), a copy of which is attached hereto as Exhibit "H."

Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Resolution Reviewing the Investment Policy and to maintain the current investment policy.

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 the Wastewater Treatment Plant replacement blower is installed and that the start-up will occur today.

Mr. Riley reported that the District flushing valves were painted as discussed at the last Board meeting. He stated that the flushing valve on Cypress-Rosehill Road was painted as well because it required painting.

Mr. Riley reported on the five high water users discussed at the last Board meeting. He reported that the customer with approximately 300,000 gallons contacted Eagle Water when he realized the amount of last month's bill. Mr. Riley reported that the customer used 6,000 gallons the next billing period. Mr. Riley reported that it is possible that the water meters registering 300,000 and 240,000 have malfunctioned. Mr. Riley reported that the customer with 240,000 gallons the last billing period, did not use any water in the subsequent billing period. He stated that he has replaced the two water meters and sent the meters for testing. Mr. Riley recommended the Board consider crediting the accounts for the two customers on the basis of the meters reading incorrectly.

Upon motion by Director Bryant, seconded by Director Templeton, 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 authorize Eagle Water to credit the two customers with the high water usage the previous billing period.

13. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, bonds.** 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 "J." Mr. Hirshman reported that DEC is preparing the ninth Bond Issuance Application for Cypress Landing East.

Mr. Hirshman reported that the surplus funds request for reimbursement for Cypress Landing West, first phase, has been deemed administratively complete by the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman recommended Board authorization of developer payment of Pay Estimate #2 to Reddico Constriction in the amount of \$195,687.42 for the utility construction in Cypress Landing East, Section Three, Phase Two and Section Five.

Mr. Hirshman reported that the wastewater treatment plant generator operation and maintenance manuals have been provided to Eagle Water.

Mr. Hirshman reported on the proposed interconnect with MUD 391. Ms. Ellison reported that the attorney for MUD 391 had indicated that MUD 391 supported the two districts' engineers discussing the proposed interconnect. She stated that the benefits to MUD 391 need to be identified in order for MUD 391 to decide if it will pay for a portion of the interconnect costs. Mr. Hirshman stated that he will contact the MUD 391 engineer.

Mr. Hirshman reported on the feasibility study for utility service to Harvest Bible Church. He reported that the project is on hold until it is known whether the proposed interconnect with MUD 391 will be constructed as this will influence the design plans for service to the church.

Mr. Hirshman reported on utility service for the Sasher Lane properties. He reported that the District's waterline may be extended to provide water service to the Sasher Lane properties. Mr. Hirshman reported that the nearby manhole is only four and a half feet deep and that a lift station would be required to provide sanitary sewer service to the Sasher Lane properties. He stated that new utility lines would need to be constructed. Mr. Hirshman stated that the properties also need to be platted for the District to provide utility service. The Board discussed the options of annexing the Sasher Lane properties or providing out of District service. The Board requested Mr. Hirshman estimate the costs for the District to provide service to the Sasher Lane properties.

Mr. Hirshman reported that DEC will determine the location for the installation of a 16,000 gallon hydropneumatic tank and a booster pump which is needed to meet TCEQ requirements prior to the next bond issuance.

Mr. Hirshman recommended Board authorization of payment of Pay Estimate to Storm Water Solutions in the amount of \$6,820.00 for the clean out of the detention pond near Walgreens.

Mr. Hirshman reported that the Cypress Landing East detention pond permit renewal notification was forwarded to Storm Water Solutions for management.

Mr. Hirshman reported that Brown and Gay Engineers has provided a response to Harris County, included in the Engineer's Report, regarding the "Red Tag Notice" posted on the recently constructed Cypress Landing East lift station driveway for construction without Harris County inspection.

Mr. Hirshman reported that Harris County stated it does not install street lights. The President asked that Mr. Hirshman contact Estella Rodriguez at CenterPoint Energy to obtain street light installation and maintenance costs.

Mr. Hirshman reported that DEC will review construction plans for a medical emergency clinic at The Shoppes at Fry Road.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to authorize developer payment of Pay Estimate #2 to Reddico Constriction in the amount of \$195,687.42 for the utility construction in Cypress Landing East, Section Three, Phase Two and Section Five; and to authorize payment of Pay Estimate to Storm Water Solutions in the amount of \$6,820.00 for the clean out of the commercial detention pond near Walgreens.

14. **Next meeting date.** The Board noted that a special Board meeting will be held on January 6, 2011 at 12:00 p.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas and the next regular monthly Board meeting will be held on January 21, 2011, 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.

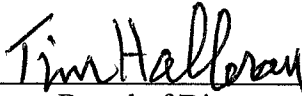
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The foregoing minutes were passed and approved by the Board of Directors on January 21, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)