

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
December 16, 2011

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 December 16, 2011, 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. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Robert Moore of First General Realty; Mr. Mark Janik of Pulte Homes, developer of land in the District; Ms. Stephanie Lee of KGA DeForest Design ("KGA"); Mr. Nathan Giessinger of Storm Water Solutions; Mr. Al Flores, attorney for Alicia's Mexican Grille; Mr. Marvin Herrera of Alicia's Mexican Grille; and Ms. Kathleen Ellison, Mr. Jason Williams 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. **Review back charge to Alicia's and any necessary action.** The President recognized Mr. Flores, who reviewed the history of the lease between the District and Alicia's Mexican Grille. Mr. Flores questioned the District's costs to restore the leased tract. Mr. Giessinger, the contractor retained by the District to restore the tract, reviewed the materials and equipment utilized for the restoration, a copy of which is attached hereto as Exhibit "B." The President noted that Alicia's was given an opportunity to perform the work itself and the District had taken proposals.

**Executive Session for Contemplated Litigation.** Upon motion by Director Bryant, seconded by Director Henry, the Board voted unanimously to go into executive session

at 11:34 a.m. to consult with its attorney about pending or contemplated litigation pursuant to Texas Government Code section 551.071. At that time, all persons left the meeting except the Directors, Ms. Ellison, Mr. Williams and Ms. Deitrick.

Upon motion by Director Bryant, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously at 11:45 a.m. to reconvene in public session.

Mr. Williams then told Mr. Flores and Mr. Herrera that the District would accept \$10,000 as reimbursement for the restoration costs, to be payable by January 20, 2012. Mr. Flores and Mr. Herrera then left the meeting.

2. **Minutes of the meeting of November 18, 2011.** The proposed minutes of the meeting of November 18, 2011, previously distributed to the Board, were presented for review and approval.

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 minutes of November 18, 2011, as presented.

3. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that Dale Bible emailed regarding his candidacy for the Precinct 4 Constable position.

Director Bryant reported that two customer emails regarding initiating water service were forwarded to Eagle Water.

Director Bryant reported that a customer email to obtain a tax bill was forwarded to Assessments of the Southwest for response.

Director Bryant reported that a customer email regarding transfer of the water account was forwarded to Eagle Water for management and response.

Director Bryant reported that Mr. Warren emailed regarding maintenance of the Cypress-Rosehill Road esplanade from Sydney Harbour to Huffmeister Road. The President reported that he obtained proposals for the esplanade maintenance.

Director Bryant reported that a customer email regarding a possible leak in the water meter box was forwarded to Eagle Water for management and response.

Director Bryant reported that the Cypress Ridge Homeowners Association emailed regarding trash collection before 7:00 o'clock a.m. Director Bryant reported that he contacted Best Trash regarding the issue and Best Trash will address the issue with its employees and confirm the Cypress Ridge Homeowners Association is satisfied.

4. **Security report and any necessary action.** The President recognized Director Henry, who presented to and reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "C."

Director Henry reported that AT&T has been to the Constable Space twice regarding the T1 line installation. He reported that the installation delay is now due to Harris County.

5. **Developer's Report, and reimbursement issues.** The President recognized Mr. Janik, who reported that Pulte Homes had 59 total sales in 2011. He reported that Pulte Homes opened a new model park in Cypress Landing. Mr. Janik reported that an additional fountain was installed in the amenity lake.

6. **Mueschke Road beautification and any necessary action.** The President reported that Harris County Municipal Utility District No. 391 ("MUD 391") is not interested in participating in the Mueschke Road Median Landscape Enhancements at this time.

Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve proceeding with design and bidding of the Mueschke Road Median Landscape Enhancements for the portion of Mueschke Road abutting the District. Ms. Ellison noted that no agreement was reached concerning maintenance of the project, once completed. Mr. Janik stated that the Cypress Landing Homeowners Association is willing to maintain the Mueschke Road median adjacent to Cypress Landing but cannot afford to pay for the water service costs. It was the consensus of the Board to pursue agreements for maintenance of the Mueschke Road median landscaping with the adjacent homeowners' associations.

Ms. Lee presented to and reviewed with the Board the proposal for KGA to design, bid and manage construction administration for a cost of \$29,250, a copy of which is attached hereto as Exhibit "D."

Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to accept the KGA proposal for design, bid and construction administration of the Mueschke Road Median Landscape Enhancements.

7. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters, Greenpros proposals and any necessary maintenance.** The President reviewed with the Board the GreenPros proposal for mulching along the Cypress-Rosehill Road esplanades and Cypress Mill Park II, and removal and replacement of four dead trees and flower planting in Cypress Mill Estates for a cost of \$4,172, a copy of which is attached hereto as Exhibit "E."

The President reviewed with the Board the GreenPros proposal for tree pruning along the three esplanades along Cypress-Rosehill Road for a cost of \$2,265.00, a copy of which is attached hereto as Exhibit "F." Director Bryant stated that some of the trees in the Cypress-Rosehill Road median appear to be dead and asked if they are still under warranty. Ms. Lee stated that she would research whether the trees are still under warranty.

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 accept the two GreenPros proposals for mulching, tree replacement and tree pruning, and flower planting

for a total cost of \$6,437.

The President reported that the Cypress Mill Homeowners Association provided a proposal for the fence installation along Skinner Road. The President reviewed with the Board the proposal, from Fencecrete America, Inc., a copy of which is attached hereto as Exhibit "G." Upon review of the proposal, the President stated that he would obtain clarification of the "North Side Option" and what level of District participation the Cypress Hill Homeowners Association was seeking. This item was deferred at this time.

**8. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** 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 99% of the District's 2010 taxes had been collected as of November 30, 2011.

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

**9. Bookkeeper's Report, payment of bills, review investment report and policy, and any necessary changes.** 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 "I." Director Bryant requested that Ms. Austin track the Mueschke Road Median Landscape Enhancements project costs.

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 and to authorize payment of the checks listed therein.

**10. 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 "J."

Upon review of the Disconnection List, Mr. Riley reviewed the history of the resident on Sableton Crest Lane with an outstanding balance of \$710.98. He reported that the resident asked to pay an additional \$40.00 per month to cover the outstanding balance. Mr. Riley reported that the customer does not live in the residence. Upon motion by Director Templeton, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to decline the payment plan request and authorize Eagle Water to terminate the delinquent account in accordance with the Rate Order.

Mr. Riley reported that the smaller water well at Water Plant #1 may be operated at the same time as the larger water well with modification of the controls. He estimated the modification would cost approximately \$300. He recommended discarding the right angle drive. Mr. Riley reported that use of the smaller water well will increase water production capacity by approximately 700 gallons per minute. It was the consensus of the Board to proceed with the necessary control modifications to facilitate operation of the smaller water well.

Mr. Riley reported that the Sydney Harbour Homeowners Association (“HOA”) has irrigation system controls within the District’s lift station site in Sydney Harbour. He reported that the Sydney Harbour HOA has requested permission to install a storage shed within the fenced-in lift station site. He reported that the Sydney Harbour HOA has access to the irrigation controls. Mr. Hirshman reported that the fence at the lift station site is made of wrought iron and that a storage shed would be visible above the fence. Director Templeton noted that a storage shed could be a problem if the District needed to perform a repair at the lift station. It was the consensus of the Board to direct Mr. Riley to inform the Sydney Harbour HOA that the District will not allow installation of a storage shed and that it would prefer to have the irrigation controls removed from the lift station site for security reasons.

Mr. Riley reported that the third blower at the Wastewater Treatment Plant is not serviceable and that he has requested a cost estimate from Neil Technical Services for replacement with a Roots positive displacement blower. He requested Board authorization to replace blower #3 with a Roots positive displacement blower if the Neil Technical Services proposal is reasonable.

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 Operations Report; to terminate the delinquent accounts in accordance with the Rate Order; to approve the necessary electrical and control modifications to facilitate operation of the smaller water well at Water Plant #1; to authorize Eagle Water to inform the Sydney Harbour HOA to look into relocating the irrigation controls currently at the lift station and to deny the Sydney Harbour HOA request to install a storage shed at the lift station; and to authorize Eagle Water to proceed with replacement of blower #3 with a Roots positive displacement blower at the Wastewater Treatment Plant if the proposal cost is reasonable.

**11. Engineer’s Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, issuance of unlimited tax 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 “K.” Mr. Hirshman reported that the Texas Commission on Environmental Quality (“TCEQ”) has declared the ninth Bond Issuance Application administratively complete.

Mr. Hirshman reported on the utility service to Harvest Bible Church. He reported that the plans were submitted to the governmental agencies for review. He reported that DEC prepared nine easements and is coordinating with F&J to notify the property owners.

Mr. Hirshman reported that a proposed annexation tract, Cypress Auto Center, has revised the location of utility lines to serve the parcel and has provided easements. He reported that F&J is working with the Cypress Auto Center owner to correct the easements for dedication to the proper entity. Mr. Riley reported that the Kentucky Fried Chicken owner called him stating that the District owed him \$800 for shutting off water service, which was done by the Cypress Auto Center contractor for the boring work.

Mr. Hirshman reported that the TCEQ issued the wastewater treatment and discharge permit.

Mr. Hirshman reported on the exterior pumps for the digester basins at the Wastewater Treatment Plant. He reported that DEC provided the plans to the City of Houston, which requested additional plans.

Mr. Hirshman reported that he has not seen additional documents regarding the CenterPoint Energy annexation. Ms. Ellison reported that CenterPoint Energy is coordinating signature of the annexation documents by the lienholder. Mr. Hirshman stated that DEC will prepare the Cypress Auto Center and CenterPoint Energy annexations at the same time so only one District boundary map need be prepared.

Mr. Hirshman reported that Momentum Engineers is revising the Panda Express Restaurant plans so as not to tie into the Wal-Mart lines.

Mr. Hirshman requested Board authorization for the President to sign the storm water permit renewal application for the Cypress Landing East detention pond, included in the Engineer's Report.

Mr. Hirshman recommended Board approval of the award of the water, sanitary sewer and storm sewer for Cypress Landing East, Section Seven, construction contract to the low bidder Kenneth Lamb Construction Company, Ltd in the amount of \$304,492.00.

Mr. Hirshman reported that a drawing of the proposed easements for the Harvest Bible Church is included in the Engineer's Report.

Mr. Hirshman reported that the upcoming Huffmeister Road project will mean that water service to Cypress Landing will be cut off during construction unless the District has another source of water to the area. He reported that the MUD 391 engineer reported that MUD 391 is considering a 20 acre annexation, which would make a proposed interconnect between the District and MUD 391 on Mueschke Road advantageous to both districts.

Mr. Hirshman recommended District acceptance of the Cypress Landing offsite drainage ditch contingent upon the developer's repair of the rip rap and establishment of grass in certain areas. Mr. Hirshman recommended that the developer, Pulte Homes, pay 20% of the District's spring overseeding and fertilizing to further establish the vegetation on the drainage ditch. It was the consensus of the Board to accept the Cypress Landing offsite drainage ditch if Pulte repairs the rip rap and establishes grass in the bald areas and to take over maintenance from that point forward.

Mr. Hirshman reported that Harris County contacted him regarding the need to move District facilities in connection with the widening of Huffmeister Road. He reported that one District waterline will have to be relocated and the appropriate depth for a force main and waterline will also need to be determined. Mr. Hirshman asked the Board if it wanted the County to include the waterline relocation in the Harris County Huffmeister Road contract, with the District paying the County for the cost of the relocation.

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 approve the Engineer's Report; to authorize the President to sign the storm water permit renewal application

for the Cypress Landing East detention pond; to authorize Pulte Group to award the water, sanitary sewer and storm sewer for Cypress Landing East, Section Seven, construction contract to the low bidder, Kenneth Lamb Construction Company, Ltd., in the amount of \$304,492.00; to approve acceptance of the Cypress Landing East offsite drainage ditch contingent upon Pulte's repair of the rip rap and establishment of grass in certain dirt areas; and to authorize the waterline relocation to be performed as part of the Harris County Huffmeister Road contract.

12. **Cypress Landing outfall ditch maintenance request by Pulte Group.** This item was covered under the Engineer's Report.

13. **Status report on service to Harvest Bible Church and any necessary action.** The President recognized Ms. Ellison, who reported that several easements are required to provide water and sanitary service to Harvest Bible Church. Ms. Ellison presented to and reviewed with the Board the Resolution Authorizing Condemnation ("Resolution"), a copy of which is attached hereto as Exhibit "L." She reported that the Resolution is required so that the District can notify property owners of their rights under Texas law and make offers to the property owners for the easements. Ms. Ellison reported that title work is necessary as well. Mr. Hirshman reported that Harvest Bible Church is willing to assist with obtaining the easements.

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 Resolution.

14. **Requests for annexation by CenterPoint Energy, Cypress Auto Center and any necessary action.** This item was covered under the Engineer's Report.

15. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on January 20, 2012, 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 20, 2012.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

