

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
March 18, 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 March 18, 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, except Director Henry, who entered the meeting in progress. Also attending all or portions of the meeting were Ms. Rhonda Rushton 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 and Ms. Heidi Stephenson of Cymill Partners, developers of land in the District; Mr. Ryan Niles of Pulte Group, developer of land in the District; Mr. Jason Schultz of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Stephanie Lee of KGA Deforest Design ("KGA"); 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 February 11, 2011.** The proposed minutes of the meeting of February 11, 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 February 11, 2011, 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 a resident emailed regarding the Cypress-Rosehill median irrigation. Director Bryant reported that the median irrigation has been resolved.

Director Bryant reported that a resident emailed to set up water service which was forwarded to Eagle Water. He reported that a contractor emailed regarding refund of the builder deposit for the Kentucky Fried Chicken. Mr. Riley reported that the refund is being processed.

Director Bryant reported that a resident emailed regarding a bathtub of green water. Mr. Riley reported that Eagle Water went to the residence and tested the exterior water, which appeared to be clear with no green tint. He reported that the resident was not home and that Eagle Water left a door hanger to contact them if she had questions.

Director Bryant reported that a resident emailed regarding a water leak at a fire hydrant on Auburn Woods Drive, which was forwarded to Eagle Water.

Director Bryant reported that a resident emailed about a neighbor's water leak causing significant ground saturation. Mr. Riley reported that Eagle Water investigated the leak and determined that it was on the resident's side of the water meter. Mr. Riley reported that Eagle Water had no authority to terminate water service because the resident was not delinquent on the water bill. Director Bryant reported that the District's deputy shut off the water when it was observed running from the house and contacted the owner regarding the leak.

Director Bryant reported that a resident emailed regarding unexpected termination of water service. Mr. Riley reported that the matter was resolved satisfactorily.

3. Developer's Report, reimbursement issues and any necessary easements. The President recognized Mr. Hixon, who reported that Raising Cane's signed a lease and is expected to be open in approximately nine months.

Mr. Hixon reported that he is coordinating with Mr. Hirshman to flare the truck entrance to Walgreens at Cypress-Rosehill Road to reduce the curb and bollard damage. The President asked if Harris County had seen the plans. Mr. Hixon reported that Harris County had approved the plans. Mr. Hixon asked if the District would accept the common utilities serving the customers located on the 8.9 acre tract into its system if the utilities were in public easements. He said he would not ask for District reimbursement of such facilities. He noted that Mr. Hirshman was preparing easements for the facilities.

Mr. Niles reported that four homes sold last month. He reported that Cypress Landing, Section Three, Phase Two, is complete and has approximately 36 lots. Mr. Niles reported Cypress Landing, Section Five, is complete and has approximately 34 lots.

4. Security report and any necessary action. The President recognized Director Henry, who reported that he sent an email to the Harris County Commissioner's Court regarding Harris County's budget issues; however, at the present time it does not appear that the budget issues will affect the District's security contract.

Director Henry presented to and reviewed with the Board the Security Report for the month of February, a copy of which is attached hereto as Exhibit "B."

5. Discuss easement acquisition cost interest reimbursement and any necessary action. The President recognized Ms. Ellison, who reminded the Board that at the

previous meeting it discussed whether to pay more than two years' interest on the advances made by the developers to acquire the easement for the utilities to serve Cypress Landing. She said that the rules of the Texas Commission of Environmental Quality ("TCEQ") state that if a district purchases an easement from a developer, the developer can be reimbursed interest on the easement acquisition costs for an unlimited time period; however, interest on developer advances is limited to two years. She reported that in the case of the easement for utilities to serve Cypress Landing, the developers made advances so that the District could acquire the easement; however, one could argue whether that was really different from the developers acquiring the easement for sale to the District. The Board discussed the District's responsibility to follow TCEQ regulations.

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 reimbursement of interest for two years on developer advances made to acquire easements in accordance with TCEQ regulations.

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

The President recognized Ms. Lee, who recommended payment of an Allgreen Associates invoice in the amount of \$1,802.00 for median maintenance in February and March. She reported that KGA would inspect the irrigation controllers next week to assure proper function. Ms. Lee reported that Allgreen Associates mowed yesterday.

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 payment to Allgreen Associates in the amount of \$1,802.00 for median maintenance in February and March.

a) **Discuss street light costs and any necessary action.** Mr. Schultz reported that CenterPoint Energy has provided a cost estimate of \$89,582 for standard cobra lights and \$267,984 for decorative street lights along Cypress-Rosehill Road, as noted in the Engineer's Report.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously not to proceed with street light installation along Cypress-Rosehill Road at this time.

b) **Median maintenance proposal.** The President reviewed with the Board the Greenpros proposal to maintain the Cypress-Rosehill Road esplanades from Cypress Needle Lane to Huffmeister and frontage of Huffmeister Road pump station in the amount of \$650 per month, a copy of which is attached hereto as Exhibit "C." The President reported that Allgreen Associates has been maintaining the area at a cost estimate of \$900 per month and that Earthcare Management provided a cost estimate of \$660 per month.

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 Greenpros proposal to maintain the Cypress-Rosehill Road esplanades from Cypress

Needle Lane to Huffmeister and frontage of Huffmeister Road pump station in the amount of \$650 per month.

7. Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance. The President reviewed with the Board the Greenpros proposal to provide 216 pentas and six yards of mulch for District property in Cypress Mill Estates; and one live oak, three cypress and eight yards of mulch for Cypress Mill Park, for a total cost of \$2,202.00. A copy of the proposal is attached hereto as Exhibit "D."

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 Greenpros proposal to provide 216 pentas and six yards of mulch for Cypress Mill Estates; and one live oak, three cypress and eight yards of mulch for Cypress Mill Park, for a total cost of \$2,202.00.

8. Repair fence boards at Dry Creek. The Board discussed the need to repair the fence boards kicked in at Cypress Mill Park, Section Four leading to Dry Creek. The President reported that the Cypress Mill Homeowner Association stated that wrought iron fences work well in stopping bikes and off-terrain vehicles. 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 authorize Eagle Water to obtain a proposal for wrought iron fencing at the Cypress Mill Park, Section Four location that matches the wrought iron fencing at the pocket park.

9. Alicia's Mexican Grille temporary parking lot restoration and any necessary action. The President reported that the parking poles have been removed and the dying shrubs have been trimmed. The Board noted that Alicia's is required to restore the site to its original condition so the shrubs and crushed concrete should be removed and grass should be planted. The Board asked Ms. Ellison to contact Mr. Herrera's attorney.

10. Sasher Lane resident request regarding service. The President recognized Mr. Schultz, who reported that DEC prepared three cost estimates, utility service to the 1.18 acre commercial tract, utility service to the Sasher Lane residents and utility service to both the commercial tract and the Sasher Lane residents, included in the Engineer's Report. He reported that the estimated cost to construct facilities and provide utility service to the commercial tract is \$47,808.38 and the estimated cost to construct facilities and provide utility service to the Sasher Lane residents is \$127,000. He noted that the cost to the Sasher Lane residents would be reduced to approximately \$109,000 if the commercial tract participated in the costs and obtained service at the same time. Mr. Schultz stated that the Sasher Lane residents may either claim economic hardship to the Harris-Galveston Subsidence District or pay the North Harris County Regional Water Authority to participate in its Groundwater Reduction Plan. The Board requested that Ms. Ellison notify Ms. Bates of the cost estimates.

11. Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination. The President recognized Ms. Rushton, 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. Rushton noted that 96% of the District's 2010 taxes had been collected as of February 28, 2011.

Ms. Rushton presented to and reviewed with the Board a customer request for waiver of penalty and interest, a copy of which is attached hereto as Exhibit "F." She reported that the District resident made the payment in December but sent the payment to Harris County. Ms. Rushton reported that the Texas Tax Code permits the District to waive penalty and interest in this situation because the resident made payment to an agent of the District's tax unit. 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 waive the penalty and interest for the customer that sent the payment to Harris County.

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

12. 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 "G." Ms. Austin reported that the March 1, 2011, debt payment was made.

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

Ms. Austin reported that she was still holding the check to Cymill Partners, Ltd. in the amount of \$15,400 for reimbursement for the storm sewer. The President reported that Mr. Hirshman stated that the TCEQ had inspected and approved the storm sewer. Ms. Austin released the check to Cymill Partners, Ltd.

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

13. Authorize bookkeeper to file annual energy report with the State Energy Conservation Office. 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 authorize the bookkeeper to file the annual energy report with the Texas Energy Conservation Office.

14. 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 "H." Mr. Riley reported that the final account on the Disconnection List has paid.

Mr. Riley reported that Eagle Water has completed more than half the sanitary sewer point repairs that were tagged for repair.

Mr. Riley reported that Eagle Water submitted the updated TCEQ Homeland Security Contact Update and Information Form to the TCEQ.

Mr. Riley reported that Chubb Insurance has approved the payment for the radiator in the amount of \$10,336 and the payment is expected next week.

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 Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

15. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, bonds. The President recognized Mr. Schultz, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "I." Mr. Schultz reported that DEC is preparing the ninth Bond Issuance Application for Cypress Landing East.

Mr. Schultz reported on the proposed interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that DEC is coordinating the interconnect location with the MUD 391 engineer.

Mr. Schultz reported on the feasibility study for utility service to Harvest Bible Church. He reported that the cost estimate to provide water service to the Harvest Bible Church is \$57,842.66 with the proposed MUD 391 interconnect as part of the project. Mr. Schultz reported that Mr. Hirshman is in contact with the Harvest Bible Church regarding the costs.

Mr. Schultz reported that the District requires 1,600 gallons per minute ("gpm") of additional booster pump capacity based on the TCEQ requirements. Mr. Schultz reported that DEC will review the existing pumps and configurations to determine the optimal configuration to meet TCEQ requirements. He reported that the costs for the additional capacity will be included in the next bond application.

Mr. Schultz reported that a proposed annexation tract, Cypress Auto Center, has provided a revised preliminary diagram of the desired utility line placement, included in the Engineer's Report. He reported that Cypress Auto Center will need to acquire an easement from the District. Ms. Ellison noted that the District has not received the annexation deposit from the Cypress Auto Center. She reported that Cypress Auto Center requested confirmation that the District would provide interim utility service while its annexation petition was being processed at the City of Houston.

Mr. Schultz reported that the District's wastewater treatment and discharge permit will expire on February 1, 2012. He reported that DEC is working on the permit application for submission prior to August 1, 2011.

Mr. Schultz reported that Cymill Partners, Ltd. has requested the common utilities on the 8.9 acre tract become District facilities. He reported that public easements would be utilized to provide utility service to the Raising Cane's development.

Ms. Ellison reported that she had been contacted by an engineer who said her

client was considering converting the Cypress Lakes Golf Club property into a single-family residential tract and wanted to know if the District would consider annexing the tract. Ms. Ellison reported that Mr. Hirshman stated that the District's lift station has the capacity to serve such development. The Board discussed the tract location and the feasibility of serving the tract. The Board stated that the developer will have to pay the \$10,000 deposit for an annexation feasibility study before the Board can determine whether it would annex the tract.

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 approve the Engineer's Report.

16. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on April 15, 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.

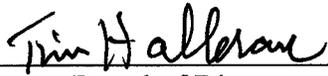
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The foregoing minutes were passed and approved by the Board of Directors on April 15, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

