

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
May 18, 2012

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 May 18, 2012, 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  
Eddie Rucker, 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. Mike Plunkett 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. Jim Moore and Mr. Robert Moore of First General Realty; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Mark Janik of Pulte Homes, developer of land in the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Greg Sissel of BKD, L.L.P., auditor for the District; Sergeant Blackledge, deputy for the District; Mr. Daniel Blackledge; Ms. Janice Morris, President of the Lakes of Rosehill Homeowners Association; 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 April 19, 2012.** The proposed minutes of the meetings of April 19, 2012, 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 April 19, 2012, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported that a resident emailed regarding a fallen tree leaning on another tree on the green belt. He reported that Eagle Water removed the fallen tree and GreenPros cleaned up the area. The President reported that GreenPros will remove the tree stump.

Director Bryant reported that a resident request for a twelve month water bill payment history was forwarded to Eagle Water for management.

Director Bryant reported that a resident emailed to ask if the District had any restrictions on garage sales. Director Bryant reported that he informed the resident that the District had no restrictions regarding garage sales but the resident may want to check with her homeowners association.

3. **Lakes of Rosehill Homeowners Association request to share security.** The President recognized Ms. Morris, who reported that she is the President of the Lakes of Rosehill Homeowner Association (“HOA”). She reported that the Lakes of Rosehill is located at the northwest corner of Huffmeister Road and Cypress-Rosehill Road. Ms. Morris reported that the HOA will have the residents vote on whether to pay for a deputy to patrol the Lakes of Rosehill. She reported that there are 398 homes in the HOA. Ms. Morris reported that the HOA is requesting that the District consider amending its security contract with the Harris County Constable’s Office to add the HOA area to the District’s security area and to add an additional deputy if the Lakes of Rosehill residents vote in support of paying for security. Sergeant Blackledge reported that the Lakes of Rosehill has private roads so constables cannot issue moving citations there. Ms. Morris stated that the HOA is working on obtaining Harris County acceptance of the roads. Sergeant Blackledge reported that Harris County is currently only adding new contracts for 100% coverage so the HOA is not able to enter into a separate contract with Harris County for 70/30% coverage. Ms. Morris said the HOA would pay for the District for the cost of an additional deputy. Ms. Morris stated that the HOA will have sufficient funds to pay for one deputy at 70/30% coverage. Ms. Ellison stated that there should be a contract between the District and the HOA, under which the HOA would make payments for one deputy in advance.

It was the consensus of the Board to consider amending its contract with the Constable’s Office to add a deputy and to expand its boundaries to include the HOA, contingent upon (1) F&J review of legal issues, (2) confirmation from the District’s insurance agent that the expansion of the territory under the contract with the Constable’s Office will not affect the District’s insurance, and (3) success of the HOA election for the addition of a deputy.

4. **Security report and renewal of extra patrol.** Director Henry complimented Director Bryant for spearheading efforts to obtain installation of the T1 line at the Constable Work Space.

Sergeant Blackledge presented to and reviewed with the Board the Security Report for the month of April, a copy of which is attached hereto as Exhibit “B.” He reported that there was a homicide in the District that involved a wife allegedly killing her husband, which will be on the May Security Report.

Sergeant Blackledge reviewed with the Board the proposed Extra Patrol coverage and costs for 2012 detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "C." He noted that the proposed coverage is the same as the current coverage and will be performed by four 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 Exhibit A to the Independent Contractor Agreement which extends the extra patrol through December 31, 2012.

**5. Approve Developer Reimbursement Audit and payment to developers.** The President recognized Mr. Sissel, who presented to and reviewed with the Board the draft of the Developer Reimbursement Audit, a copy of which is attached hereto as Exhibit "D." Mr. Sissel reported that the total reimbursement amount is \$2,447,734.87. Mr. Sissel reported that Mr. Janik asked about reimbursement of approximately \$2,000 to \$3,000 for geotechnical services expenses. Mr. Sissel reported that a supplement to the developer reimbursement audit may be prepared.

Ms. Ellison stated that payment to Centex Homes should be subject to receipt of the TCEQ authorization to purchase the facilities. Mr. Hirshman reported that the TCEQ authorization is expected soon. Mr. Sissel reported that he would calculate the interest on the land for which reimbursement is being held for the TCEQ purchase authorization.

Mr. Sissel reported that another report will be prepared when the Texas Commission on Environmental Quality ("TCEQ") approves release of the escrowed funds for Centex Homes. He reported that there is no additional interest to be paid for the escrowed funds items. Mr. Hirshman reported that the application for release of the escrowed funds was submitted to the TCEQ.

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 developer reimbursement audit and to authorize payment of \$2,447,734.87 to Centex Homes upon receipt of the TCEQ authorization to purchase the facilities.

**6. Developers Report and reimbursement issues.** Mr. Janik reported that Pulte Homes had ten new homes sales in April.

Mr. Luton reported that Cypress Park has eight new home sales in April and 15 to date in 2012.

Mr. Robert Moore reported that the contractor is addressing the Harris County punch list for Cypress Park, Sections One and Two.

Ms. Ellison reported that the TCEQ approved reimbursement of \$701,776.49 to First General Holdings, L.L.C. in 2011; however, only \$616,405.50 was paid at that time because of the agreed upon limit of 10% of the value added in Cypress Park, Sections One and Two. She stated that the taxable value in Cypress Park, Sections One and Two, has increased sufficiently to pay the remainder of \$85,370.99 to First General Holdings, L.L.C.

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 payment of \$85,370.99 to First General Holdings, L.L.C.

7. **Mueschke Road beautification, Agreement for development and maintenance of Mueschke Road median landscape enhancements, and any necessary action.** Mr. Janik requested that Mr. Hirshman calculate the square footage of Mueschke Road frontage road proposed for the beautification project and provide a pro rata share of the project area to Pulte Group and Meritage Homes. Mr. Janik requested that KGA DeForest Design provide an estimate of maintenance costs and water usage costs for the proposed beautification project.

8. **Report on Homeowners Association matters, and authorization of maintenance on District properties.** No action was taken on this item.

9. **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 "E." Ms. Bryant noted that 98% of the District's 2011 taxes had been collected as of April 30, 2012. Ms. Bryant reported that delinquent statements were distributed to taxpayers in May.

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

10. **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 "F." Ms. Austin reported that she has not received Harris County Municipal Utility District No. 391's payment for its share of the Cypress Chase Boulevard repair. The President stated that he would follow up on the receivable.

Ms. Austin reported that she would hold check #1350 to Centex Homes subject to instruction to release the payment to Mr. Janik.

Director Rucker joined the meeting.

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 Bookkeeper's Report and to authorize payment of the checks listed therein.

11. **Consider July meeting date due to AWBD Conference.** It was the consensus of the Board to hold the July Board meeting on July 27, 2012, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

12. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Plunkett, who reported that the new water

well #3 motor is installed at Water Plant #2. He reported that the invoice will be provided to the insurance company upon receipt.

Mr. Plunkett reported that Eagle Water is waiting to hear from the TCEQ on the ammonia and chlorine violations. He reported that the TCEQ stated that they would contact Eagle Water regarding the violations.

Mr. Plunkett reported that Escherichia Coli ("*e. coli.*") is measured in different units than those shown on the TCEQ online form, which is resulting in discharge violations for *e. coli* on the Discharge Monitoring Report, although the samples are within acceptable levels.

Mr. Plunkett reported that the District's generators have been tested in preparation for hurricane season.

Mr. Plunkett presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G."

Mr. Plunkett reported that water accountability for April was 95.9%. He reported that there is no known reason for the improved water accountability.

Mr. Plunkett reviewed the Disconnection List with the Board.

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.

**13. Amend Rate Order for increase in solid waste and recycling collection rate.** The Board discussed whether it should increase its sewer rates due to the cost increase for trash removal and recycling under its contract with Best Trash. 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 maintain its current sewer rates.

**14. Approve Consumer Confidence Report.** This item was deferred.

**15. 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 "H."

Mr. Hirshman reported on the utility service to Harvest Bible Church. He reported that DEC reduced the project scope with a reduction in cost to \$97,047.03. Mr. Hirshman reported that DEC is preparing the contract and change order for the project. He reported that Harvest Bible Church approved the project amount. Ms. Ellison stated that Harvest Bible Church is to provide the funds for the project before work begins under the agreement between the church and the District.

Mr. Hirshman reported on the exterior pumps for the digester basins at the Wastewater Treatment Plant. He reported that DEC issued the Notice to Proceed on May 3, 2012. Mr. Hirshman reported that the contractor is coordinating with Eagle Water and ordering the equipment.

Mr. Hirshman reported on the emergency water interconnect with Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that DEC prepared the interconnect plans which have been submitted to Harris County and the City of Houston for review. Mr. Hirshman reported that the waterline extension and interconnect will cost approximately \$50,000. He asked the Board if he should solicit three bids for the project. It was the consensus of the Board to solicit three bids. Ms. Ellison stated that she would inform MUD 391's attorney. Mr. Hirshman reported that Harris County expects the Huffmeister Road widening to begin in September. He reported that Harris County will invoice the District in July for the District utilities relocation that is part of the project.

Mr. Hirshman reported that Meritage Homes opened bids for utilities construction to serve Cypress Landing Park, Section Five. He recommended award to the low bidder, Clearwater Utilities, Inc., in the amount of \$125,150 pending bid evaluation.

Mr. Hirshman reported receipt of the Harris County punch list for Harris County acceptance of Cypress Chase Boulevard. He reported that Camino Services provided a proposal for the necessary repairs in the amount of \$47,506.70 without pump raising of the road. Mr. Hirshman reported receipt of proposals by Park Construction and Harris Construction in the amounts of \$49,424.90 and \$52,928.00, respectively. The President reported that Mr. Dick Rue stated that MUD 391 approved paying one-half of the road repair costs; however, MUD 391 has not paid for the previous Cypress Chase Boulevard repair costs.

Mr. Hirshman reported that DEC inspected Cypress Landing East, Section Seven, on April 27, 2012 and issued the engineer's certificate of completion.

Mr. Hirshman reported that DEC and Storm Water Solutions ("SWS") inspected the District's detention ponds and developed a list of needed repairs, which is included in the Engineer's Report. Mr. Hirshman reported that SWS will backfill and seed the sinkhole over the sanitary sewer line in the Cypress Ridge detention pond as part of the routine pilot channel maintenance. Mr. Hirshman reported that silt buildup in the Cypress Landing Outfall Channel is causing a minor backwater condition in the Cypress Landing Detention Pond. The President stated that the District needs a maintenance contract for the outfall channel and asked how silt could build up in the two months since the District has accepted the outfall channel for maintenance. Mr. Janik volunteered to have the silt removed. Mr. Hirshman reported that SWS provided a proposal for annual maintenance of the outfall channel in the amount of \$8,994, included in the Engineer's Report. Mr. Hirshman asked the Board if it wanted the Cypress Mill Commercial Detention Pond cleaned out. Ms. Stephenson noted that there are more skateboarders if the detention pond is clean. The Board instructed Mr. Hirshman to obtain a proposal for the clean out of the Cypress Mill Commercial Detention Pond.

Mr. Hirshman reported that Drivers Auto is using an average of 140,000 gallons of water per month; however, the District has issued a capacity commitment of two equivalent

single family connections to the Drivers Auto tract. Mr. Hirshman stated that he has contacted the Drivers Auto engineer and architect regarding the water usage.

Mr. Hirshman reviewed the SWS proposal for replacement of the Cypress Mill Park, Section One, detention pond interceptor pipe in the amount of \$3,893.00 for the Board's consideration.

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 Engineer's Report, to approve the award to Clearwater Utilities, Inc. in the amount of \$125,150, pending bid evaluation, for utilities construction to serve Cypress Landing Park, Section Five; to approve the SWS proposal for annual maintenance of the Cypress Landing Outfall Channel in the amount of \$8,994.00; and to approve the SWS proposal for replacement of the Cypress Mill Park, Section One, detention pond interceptor pipe in the amount of \$3,893.00.

**16. Imported water fee from West Harris County Regional Water Authority and any necessary action.** Ms. Ellison reported that West Harris County Regional Water Authority ("WHCRWA") is imposing an import water fee for land annexed into the District south of U.S. Highway 290 which is within the WHCRWA jurisdiction. Ms. Ellison reported that she has requested a waiver of the import fee on behalf of the District.

**17. Approve Order Adding Land and Redefining Boundaries.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit "I." Ms. Ellison reported that the City of Houston approved the annexation of the CenterPoint Energy Houston Electric, L.L.C. and BTS-Fry Road, L.L.C. tracts.

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 Order Adding Land and Redefining Boundaries.

**18. Amended District Information Form.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Amendment to District Information Form, a copy of which is attached hereto as Exhibit "J." Ms. Ellison reported that this amended District Information Form will be filed in the Harris County Real Property Records to note the new boundaries of the District due to the annexation and to notify purchasers of the increased District debt due to the bond issuance.

Upon motion by Director Rucker, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amendment to District Information Form.

**19. Take necessary action to proceed with replacement of fence at Water Plant #1.** The President reported that approximately six Maintenance Area Agreements have been signed by District residents living adjacent to the Water Plant #1. Mr. Hirshman reported that DEC will coordinate surveying of the water plant in the next week.

20. **Amended and Restated Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Amended and Restated Procedures and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax Exempt Bonds (“Amended Post Issuance Policy”), a copy of which is attached hereto as Exhibit “K.” Ms. Ellison reported that the Amended Post Issuance Policy designates the District Treasurer responsible for monitoring the District’s post-issuance tax compliance.

Upon motion by Director Rucker, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Amended Post Issuance Policy.

21. **Request from Harris County Municipal Utility District No. 391 regarding service to lots partially within Harris County Municipal Utility District No. 391.** Ms. Ellison reported that the MUD 391 developer has not provided a response to the MUD 391 attorney regarding the District’s proposal for providing utility service to the lots.

22. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on June 15, 2012, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.



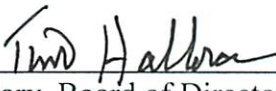
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The foregoing minutes were passed and approved by the Board of Directors on June 15, 2012.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

