

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
July 17, 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 July 17, 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. 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. Allen Schubert of Cymill Partners, developer of land within the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Sergeant Blackledge, constable for the District; Mr. Mitch Norton; 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 Mill Homeowners Association Community Manager; Mr. Mark Knop of Hoover Slovacek, L.L.P., attorney for Cypress Mill 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 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 June 11, 2009 and June 12, 2009.** The proposed minutes of the meetings of June 11, 2009 and June 12, 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 June 11, 2009 and June 12, 2009, as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the Board. He reported that there were eight emails related to water service and billing which were forwarded to Eagle Water for handling.

Director Bryant reported that there were three emails related to landscaping which were forwarded to Director Swedlund for management. He reported that Ms. Norris emailed that the irrigation system begins sprinkling at 2:00 p.m. at the Cypress Mill Estates detention pond.

Director Bryant reported that there was an email regarding low water pressure. Director Bryant reported that Eagle Water stated that a water well went offline when a breaker tripped but that was quickly resolved. Mr. Riley reported that Water Plant #2 did not provide sufficient pressure when the water well went offline. He reported that Eagle Management discovered closed valves and opened them. Director Bryant noted that the water pressure was again low on Wednesday and asked if there was another issue at the water plants. Mr. Riley reported that he would determine if there are any known reasons for low water pressure on Wednesday and if not, he would perform some tests to assess the water system.

3. **Award constable workspace build out, lease and any necessary action.** The President recognized Mr. Hirshman, who reported that the bids for the Constable Lease Space will be opened on July 24, 2009.

Upon motion by Director Henry, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve the low bidder for the Constable Lease Space contingent upon confirmation and qualification by Mr. Hirshman.

4. **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 June, a copy of which is attached hereto as Exhibit "B." Sergeant Blackledge reported that Wal-Mart has a second loss prevention officer.

Director Henry reported that the detention ponds and walking trails are being used for criminal activity. He presented to and reviewed with the Board a proposal for extra patrol by bicycle and mounted patrol for the District's detention ponds, a copy of which is attached hereto as Exhibit "C." Sergeant Blackledge reported that the detention ponds are not accessible by vehicles and that criminals are using the detention ponds for access for burglaries in the District. Sergeant Blackledge stated that the extra patrol personnel would be independent contractors of the District. Ms. Ellison reported that the District would need to assess the necessary insurance coverage for such independent contractors and have an agreement with them.

Upon motion by Director Swedlund, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve a six month trial period for the extra patrol of the detention ponds and to authorize the President to execute the Independent Contractor Agreements and authorize any necessary insurance coverage.

Sergeant Blackledge reported that there was a gang-related shooting in Harris County Municipal Utility District No. 391 ("MUD 391"). He reported that MUD 391 will ask to share law enforcement services when a second deputy is hired.

5. **Developers' Report, reimbursement agreement and any necessary easements.** The President recognized Mr. Pappas, who reported that Maisons, a sports bar, opened last week. He reported that negotiations are underway with Kentucky Fried Chicken for a pad site. Mr. Pappas reported that the Italian restaurant is under construction. He stated that 80% of the 40,000 square feet of retail space is leased and only two pad sites remain vacant. Mr. Pappas reported that there is an interested buyer for the CVS Pharmacy site.

Mr. Schubert reported that Compass Bank opened.

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 Conceptual Plans for the Cypress-Rosehill Beautification Project, a copy of which is attached hereto as Exhibit "D." He reported that the Conceptual Plans begin at U.S. Highway 290 and proceed to Huffmeister Road. Mr. Deforest reported that there are some space constraints for a sidewalk in the vicinity of the recreation center. He reported that a four foot sidewalk may fit there and in other areas a six foot wide sidewalk would be possible. Mr. Deforest reported that the beautification of the medians can be done in phases. He stated that the ends of the medians would be clear of shrubs to maintain a clear sightline for drivers. Mr. Deforest reviewed the possibility of new fencing around the wastewater treatment plant and shrubs on the berm. He reported that the existing entrance monuments would remain and the fencing would end behind the monuments. Mr. Deforest stated that the recreation center area could be closed off. Mr. Staas asked if closing off of the recreation center area was discussed with the sheriff's office. Mr. Deforest stated that it had not as these are just ideas.

Mr. Deforest recommended the fencing extend to the Water Plant No. 2 site. Mr. Deforest reviewed the fencing material and shrub options with the Board. Mr. Schubert stated that Cypress Mill Park may have an eight foot fence. Mr. Rohde reported that some deed restrictions may require a six foot fence. Mr. Deforest presented to and reviewed with the Board a cost estimate for the discussed conceptual plans, a copy of which was attached hereto as Exhibit "E."

Director Henry stated that the Board would like the support from the Cypress Mill Homeowners Association ("HOA") on this project and not have to be concerned about unsatisfied residents. Mr. Rohde reported that the HOA favors the project and at the last meeting the HOA board also wanted a timetable for future projects. The President stated that future projects depend on how well this project proceeds and the District's finances.

Mr. Deforest presented to and reviewed with the Board a proposal for Technical Services by KGA Deforest Design, L.L.C. for the Cypress-Rosehill Beautification Project, a copy of which is attached hereto as Exhibit "F."

Upon motion by Director Koehn, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board approved a special meeting to

further discuss the Cypress-Rosehill Beautification Project and to approve the proposal for Technical Services by KGA Deforest Design, L.L.C.

Mr. Pappas stated that there may be grant funds available for the median beautification. Mr. Deforest stated that he will research possible funding.

**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 requested the Board send a letter to a resident on Camellia Estates requesting the removal of fence boards.

Director Swedlund presented to and reviewed with the Board a GreenPros proposal for three tree irrigation bubblers, reworking of tree rings, pruning of one bed of Wax Myrtles to tree form, installation of 15 knock-out roses and 2 yards of mulch for \$1,699.00, a copy of which is attached hereto as Exhibit "G." 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 GreenPros proposal.

**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 97% of the District's 2008 taxes had been collected as of June 30, 2009.

Ms. Bryant reported that the delinquent accounts have been turned over to Perdue, Brandon, Fielder, Mott & Collins for collection.

Ms. Bryant reported that all of the installment plans have been paid in full.

Ms. Bryant presented to and reviewed with the Board a resident letter protesting the \$20,000 exemption for individuals 65 years old or older or disabled, in comparison to the exemptions granted by other taxing entities, a copy of which is attached hereto as Exhibit "I." Ms. Bryant reported that other taxing entities allow taxes to be "frozen". Ms. Bryant stated that residents older than 65 years old can make quarterly payments on their taxes and offered to send a reply letter to the resident to that effect. The Board asked that Ms. Bryant send the letter to the resident informing him of paying his taxes in quarterly installments.

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

**9. 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." Director Bryant asked what comprises the Miscellaneous Income. Ms. Austin stated that she could provide a list of the miscellaneous income for Director Bryant.

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.

**10. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement expenses and grant of easements.** 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 he met with Craig Rathmann and potential buyers of the Kimball Hill tract to discuss potential reimbursements.

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. 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 contractor is completing the punch list and that the final inspection for the reimbursement for the water lines and storm sewer at Fry Road is scheduled for August 6, 2009.

Mr. Hirshman reported that Harris County is widening Cypress-Rosehill. He reported that the contractor encountered the District's waterline during the installation of box culverts. Mr. Hirshman reported that Harris County has provided a proposal for relocation of the waterline crossing the right-of-way to Neutral Bay (Sydney Harbour) in the amount of \$5,637.00.

Mr. Hirshman reported that bids will be opened for the Constable Lease Space on July 24, 2009.

Mr. Hirshman reported that DEC is submitting the updated wastewater treatment plant driveway modification plans to Harris County. He stated that Harris County wants the north radius to be 20 degrees instead of 25 degrees.

Mr. Hirshman reported on protection for the backflow preventers at the back driveway to Walgreens. He reported that he is waiting on the Wal-Mart plans.

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 Engineer's Report and to approve the waterline relocation by Angel Brothers in the amount of \$5,637.00 as part of the Cypress-Rosehill Widening Project.

**11. Annexation request by HRS and Associates.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the request for utility service by HRS

and Associates for the 0.75 acre tract at Fry Road and Hempstead Road, a copy of which is attached hereto as Exhibit "L." Ms. Ellison stated that this tract is the same tract discussed a few months ago. She asked the Board if it wanted a letter requesting a \$10,000 deposit for a feasibility study to be sent in response. 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 F&J to send a letter to HRS and Associates requesting a \$10,000 deposit for a feasibility study and possible annexation costs.

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 "M." Mr. Riley reported that water usage indicates a drought and that the Harris-Galveston Subsidence District withdrawal permit will be amended, if necessary.

Mr. Riley reported that the TCEQ has changed the Discharge Monitoring Report format, which is not included in the Operations Report. He reported that there were no wastewater treatment plant permit exceptions.

Mr. Riley reported that the District has continued high water accountability.

Mr. Riley reported that NTS has ordered the pumps and controls for the lift stations, which will take six to eight weeks to be delivered.

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. **Resolution Approving Continuing Disclosure Materials.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Approving Continuing Disclosure Materials ("Resolution"), a copy of which is attached hereto as Exhibit "N." Ms. Ellison reported that the Resolution authorizes F&J to submit continuing disclosure and material event filings on the behalf of the District. 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. **Report on Association of Water Board Directors Conference.** Director Bryant reported that the mass notification system seminar was informative and looked promising for efficient notification to the residents in emergency situations. He stated that the accuracy of the contact list was crucial to the success of the system. Director Bryant reported that the notification could be by telephone, email or text, and in several languages.

The President reported on the new bacteria limits for wastewater treatment plants. He stated that the limits would be instituted as permits were renewed. Director Bryant noted that economical tests do not currently exist for the new limits.

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 August 21, 2009, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

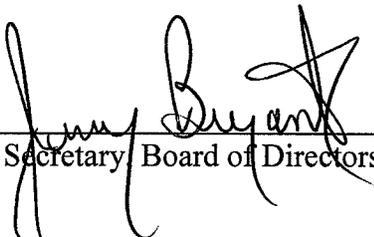
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on August 21, 2009.

  
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President, Board of Directors

ATTEST:

  
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Asst Secretary Board of Directors  
(DISTRICT SEAL)

