

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 20, 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 November 20, 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, except Director Swedlund. 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. Brandi Hebert of District Data Services, Inc., bookkeeper for the District; Ms. Stephanie Lee of KGA Deforest Design, L.L.C. ("KGA"); Mr. Nick Luton of Centex Homes, developer of land within the District; Mr. Allen Schubert of Cymill Partners, developer of land in the District; Mr. Don Staas and Ms. Dorothy Staas, District residents; 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 October 16, 2009 and October 29, 2009.** The proposed minutes of the meetings of October 16, 2009 and October 29, 2009, 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 October 16, 2009 and October 29, 2009, 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 there was an email from a customer who said he did not receive his water bill regularly which he forwarded to

Eagle Water for management. He reported that an email asked for an update on the Cypress-Rosehill Beautification Project, and he responded that it is in the planning stage.

Director Bryant reported that there was an email from a customer who said his bank account had been debited to pay a water bill without his knowledge; however, Eagle Water determined that the person making the debit was the customer's daughter.

3. **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 October, a copy of which is attached hereto as Exhibit "B." Director Henry reported that criminal activity decreased in the District in October and the extra patrol resulted in another drug arrest.

Director Henry suggested an Open House for the Constable Workspace so that the public and businesses can see the new facilities. It was the consensus of the Board to have the Open House on a Saturday afternoon in January 2010.

Director Henry requested Board authorization for the purchase of two inch blinds for the Constable Workspace for a cost of \$474.14. Upon motion by Director Koehn, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve purchase of two inch blinds for the Constable Workspace for a cost of \$474.14.

4. **Renew Interlocal Agreement for Law Enforcement Services with Harris County.** This item was deferred.

5. **Report on constable workspace build out and any necessary action.** The President recognized Mr. Hirshman, who reported that the constables moved into the new facility on November 16, 2009.

6. **Developers' Report, reimbursement agreement and any necessary easements.** The President recognized Mr. Schubert, who reported that Cymill Partners will begin construction of the AT&T building next to Compass Bank.

Mr. Luton reported that Centex Homes is proceeding with development of Cypress Landing, Sections Three and Four, and the Cypress Landing East lift station.

7. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Ms. Ellison, who reported that the Cypress Mill Homeowners Association ("HOA") has been added as a party to the agreements with the residents that are not adjacent to a HOA reserve, so that it is clear that the HOA will maintain and insure that portion of the fence. She reported that she will finalize the Cypress-Rosehill Beautification agreements with the HOA attorney. Ms. Ellison reported that F&J has determined the addresses, legal descriptions and owners of all of the lots related to the project. She stated that the F&J real estate department is verifying the owners in the deed records. Ms. Ellison noted that there are a few corporate owners. It was the consensus of the Board to provide the finalized agreements with residents that are not adjacent to a HOA reserve to the President to begin the signature process.

Ms. Lee reported that KGA expects to submit the plans to Harris County next week.

8. Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance. The Board reviewed the GreenPros proposals for irrigation repairs in the amount of \$150 and Cypress Mill Estates seasonal flowers in the amount of \$399.60, copies of which are attached hereto as Exhibits "C" and "D," respectively. 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 proposals for irrigation repairs in the amount of \$150 and Cypress Mill Estates seasonal flowers in the amount of \$399.60.

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 "E." Ms. Bryant noted that 99% of the District's 2008 taxes had been collected as of October 31, 2009.

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. Review Insurance Proposals and Renew District Insurance. The President opened discussion to the Insurance Proposals by AquaSurance, L.L.C., Highpoint Insurance Group, L.L.C. and Anco-McDonald Waterworks Insurance Services, copies of which are attached hereto as Exhibits "F," "G" and "H," respectively.

Upon motion by Director Halloran, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Insurance Proposal by AquaSurance, L.L.C.

11. Review Drew settlement documents and any necessary action. The President reported that he confirmed with Mr. Steve Carroll of F&J that the settlement documents provided for the settlement previously authorized by the Board. 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 the Settlement Agreement and Release, copies of which are attached hereto as Exhibits "I" and "J."

12. Bookkeeper's Report, Review Investment Report and payment of bills. The President recognized Ms. Hebert, who presented to and reviewed with the Board the Bookkeeper's Report, a copy of which is attached hereto as Exhibit "K."

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

13. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements,

damage claims. 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 "L." Mr. Hirshman reported that DEC is working on the new wastewater flows for the wastewater treatment plant expansion. Mr. Hirshman stated that a 250 gallons per connection flow rate will be requested in the next bond application to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman reported that the wastewater treatment plant generator bids were received on November 3, 2009. He reported that Hi-Tech Electric, Inc. was the low bidder at \$284,540.00. Mr. Hirshman reported that DEC recommended award of the wastewater treatment plant generator project to Hi-Tech Electric, Inc. in the amount of \$284,540.00.

Mr. Hirshman reported that DEC is working on the bond application and is waiting on documents and costs from Mr. Pappas.

Mr. Hirshman reported on the Constable Workspace. He presented for the Board's consideration J. H. Premier Construction's Pay Estimate #2 in the amount of \$33,643.80 and Pay Estimate #3 and Final in the amount of \$12,604.90 for the Constable Workspace. Mr. Hirshman reported that the fire marshal has approved the constable workspace.

Mr. Hirshman reported that Cymill Partners has requested a capacity commitment of ten equivalent single family connections to serve a proposed building on the 8.9 acre tract on Reserve A, Block 1. He reported that there is sufficient water and wastewater capacity remaining from the allocation for the tract to meet the requested capacity.

Mr. Hirshman reported that DEC is addressing Harris County's third set of comments on the wastewater treatment plant drive plans.

Mr. Hirshman reported on the backflow preventer at the back driveway to Walgreens. Mr. Hirshman reported that he has requested a mechanical, electrical and plumbing ("MEP") engineer to determine the code requirements for lowering or burying the backflow preventers.

Mr. Hirshman presented for the Board's consideration a pay request in the amount of \$8,850 by Allgood Construction for relocation of the twelve inch waterline at Mueschke Road, approved at the last Board meeting.

Mr. Hirshman presented to and reviewed with the Board the Storm Water Solutions proposal to clean out the detention pond near the commercial tract in the amount of \$6,230.00. He reported that Storm Water Solutions also provided proposals for cleaning the detention pond twice a year for the cost of \$4,400.00 and four times a year for \$8,800.00. The Board discussed the upcoming building construction to occur near the detention pond and decided to defer cleaning the detention pond until after the construction is complete.

Mr. Hirshman reported on Cypress Landing East development. He provided the Brown & Gay Engineering recommendation letters for award to Metro City Construction, L.P. in the amount of \$253,400.00 for the Cypress Landing East Lift Station #2 and to Clearwater

Utilities, Inc. in the amount of \$739,000.00 for construction of water, sanitary sewer and drainage in Cypress Landing East, Section Three, Phase I and Section Four.

Mr. Hirshman reported that Academy Development, the Sydney Harbour developer, is requesting reimbursement for a box culvert paid for by Academy Development in 2001. He reported that it needs to be determined if the \$159,263.50 has already been reimbursed in a previous bond issue or escrow release. It was the consensus of the Board to have the engineer and F&J research whether the expense has already been reimbursed.

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 approve the Engineer's Report, to approve award of the wastewater treatment plant generator project to Hi-Tech Electric, Inc. in the amount of \$284,540.00, to approve payment to J. H. Premier Construction for Pay Estimate #2 in the amount of \$33,643.80 and Pay Estimate #3 and Final in the amount of \$12,604.90 for the Constable Workspace, to direct DEC to issue a capacity commitment to Cymill Partners, Inc. for ten equivalent single family connections to serve a proposed building on the 8.9 acre tract on Reserve A, Block 1, to approve payment of \$8,850 to Allgood Construction for relocation of the twelve inch waterline at Mueschke Road, and to approve award to Metro City Construction, L.P. in the amount of \$253,400.00 for the Cypress Landing East Lift Station #2 and to Clearwater Utilities, Inc. in the amount of \$739,000.00 for construction of water, sanitary sewer and drainage in Cypress Landing East, Section Three, Phase I and Section Four.

14. **Review Bids and Award Wastewater Treatment Plant Generator.** This item was covered under the Engineer's Report.

15. **Capacity Commitment request by Cymill Partners, Inc. (Reserve A, Block 1).** This item was covered under the Engineer's Report.

16. **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 Eagle Water performed two critical sanitary sewer point repairs in Cypress Mill, Section One. He reported that one of the repairs was twelve feet deep and involved a four inch conduit over the sewer line. Mr. Riley reported that the second repair was underneath a driveway approach that had eighteen inches of cement.

Mr. Riley reported that NTS will begin the lift station repairs on November 23, 2009.

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.

17. **Review sanitary sewer repair list and any necessary action.** No action was taken on this item.

18. **Amend Rate Order.** The President recognized Mr. Riley, who presented to and reviewed with the Board the Consolidated Rate and Service Order (“Amended Rate Order”), a copy of which is attached hereto as Exhibit “N.” He reported that the current Rate Order does not promote water conservation and that the proposed Amended Rate Order has more tiers which will impact customers who have high water usage. It was the consensus of the Board to make the new rates effective January 1, 2010. The Board asked Eagle Water to provide notification to the District customers of the upcoming change in rates and to send separate letters to the homeowner associations.

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 Amended Rate Order with an effective date of January 1, 2010.

19. **Other matters.** No other matters were discussed.

20. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on December 18, 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 December 18, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

