

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
January 16, 2009

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 January 16, 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 Henry. 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. Bill Hixon 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. Don Staas, Ms. Dorothy Staas and Ms. Mary Lyons, 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 meeting of December 19, 2008.** The proposed minutes of the meeting of December 19, 2008, previously distributed to the Board, were presented for review and approval. 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 approve the minutes of December 19, 2008 as presented.

2. **Public Comments and letters from residents.** The President recognized Mr. Staas, who reported that a resident expressed concern about the impact on District home values of the new parking strip for Alicia's Mexican Grille. He reported that the resident also wondered if the Board had the authority to allow the parking lot and if the proper permits were

obtained for the parking lot creation. The President reported that the District had the authority to allow the parking lot as it is on District property. He stated that he did not believe that home values would be decreased from a parking lot located behind fences, along U.S. Highway 290. The President reported that Alicia's Mexican Grille is coordinating the permits for the parking lot. The President reported that the City of Houston does not have jurisdiction over the parking lot even with the Strategic Partnership Agreement between the District and the City of Houston.

Mr. Staas asked if the solid waste collection price would decrease due to the decline in fuel prices. The President stated that the District would ask the District's trash collection company.

Director Bryant reported on emails to the Board. He stated that he would respond to Mr. Letts' email expressing concern that homes values will decrease because of the Alicia's Mexican Grille additional parking lot.

In response to Mr. Garrett's email regarding the leak repair in his yard, Director Swedlund asked if there is a set procedure for communicating with residents regarding repairs in their yards. Mr. Riley reported that when Eagle Water repairs a leak in a resident's yard, a door hanger is placed explaining that a leak was repaired and that a crew will return later to restore the disturbed area.

Director Bryant reported that Ms. Tafton from the Cypress Mill Homeowners Association emailed regarding lack of a tax bill, which he forwarded to the District tax assessor for management.

Ms. Lyons asked the Board why the District allowed the additional parking lot for Alicia's Mexican Grille. She stated that the parking lot will cause a decrease in home values. Ms. Lyons asked the Board what will happen if a driver damages the homeowner's fence and fails to pay for repairs. Director Bryant stated that the parking lot is surrounded by large poles to prevent such accidents. Ms. Lyons stated that a used car was posted for sale for three days on the parking lot. The President stated that car sales will not continue on the parking lot.

3. Security report and take any necessary action regarding constable substation. The President recognized Sergeant Blackledge, who presented to and reviewed with the Board the Security Report for the month of December, a copy of which is attached hereto as Exhibit "B."

Sergeant Blackledge reported that Captain Staton has accepted the District's offer to provide a workspace for the District's deputies. He reported that the deputies will require a T1 telephone line for an initial cost of \$280 plus \$280 per month. Sergeant Blackledge reported that the equipment the District approved has arrived and is already aiding the deputies in the District.

Mr. Hixon stated that he is researching the installation of cameras in the parking lots of his retail property.

4. Developers' Report, reimbursement issues and any necessary easements. The President recognized Mr. Pappas, who reported that the installation of a driveway to the U.S. Highway 290 frontage road has been approved.

Mr. Hixon reported that Compass Bank is expected to open in February.

5. **Any Necessary Action Regarding Notice from Harris County (Alicia's Parking Lot).** No action was taken on this item.

6. **Recreational Facilities Planning/Harris County Flood Control District Partnership and Report on Homeowners Association matters.** The President recognized Director Swedlund, who presented to and reviewed with the Board the Recreational Facilities Maintenance Report, a copy of which is attached hereto as Exhibit "C." Director Swedlund reported that the areas on which the footbridge had been located have not been repaired. Mr. Hirshman reported that the areas will soon be repaired.

Director Swedlund stated that Greenpros adjusted the sprinklers by the resident's fence that is getting saturated on Cypress Orchard Lane with no success. She stated that Greenpros proposed the installation of a French drain to alleviate the fence saturation. Director Swedlund stated that if the Board agrees with the proposed solution, she would obtain additional quotes for the French drain. It was the consensus of the Board to proceed with obtaining quotes for installation of a French drain.

Director Swedlund reported that a resident disposed of an old hammock over the backyard fence along Cypress Stone Lane and requested a letter requesting removal be sent to the resident. Ms. Ellison stated that a letter will be sent to the resident to remove the hammock.

Director Swedlund reported that Greenpros repaired sprinklers in Cypress Mill Estates and Cypress Mill Park. She stated that Greenpros winterized the pipes to protect against freeze damage.

Director Swedlund reported on possible improvements for 2009. Director Swedlund proposed the addition of trees along the berm at Cypress Mill Park Two to provide shade for the playground area. She stated that Hurricane Ike removed a Bradford Pear tree in Cypress Mill Estates, which may be replaced. Director Swedlund reported that the wax myrtles along the Cypress Mill Estates detention pond were damaged by Hurricane Ike and are too large to be located along the sidewalk. She reported that the wax myrtles either need to be trimmed, replaced or removed. It was the consensus of the Board to review the area in question and decide at the next Board meeting.

Director Swedlund reported that the District is currently mowing two areas that are owned by the Cypress Mill Homeowners' Association ("HOA"). Director Swedlund reported that the HOA mowed the strip along the U.S. Highway 290 frontage road from the lift to Cypress Chase Boulevard. She stated that she is attempting to coordinate with the HOA so that it assumes the mowing for all the areas owned by the HOA as of March 1. Director Swedlund reported that Greenpros will provide a new mowing proposal for the correct areas for Board approval at the February meeting.

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 ratify the sprinkler repairs and winterization of the pipes.

7. **Tax Assessor-Collector's Report and payment of bills.** 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 "D." Ms. Bryant noted that 34% of the District's 2008 taxes had been collected as of December 31, 2008.

Ms. Bryant provided the Delinquent Tax Report by Perdue, Brandon, Fielder, Collins & Mott, L.L.P. ("Perdue"), a copy of which is attached hereto as Exhibit "E." Ms. Bryant reported that of the eleven accounts receiving water termination letters, one paid in full, three responded and seven failed to respond. She stated that Perdue confirmed the residents are not renters as part of the process of sending the water termination letters. Ms. Bryant reported that Eagle Water will place door hangers notifying residents of impending water termination and that the residents will have a few days to pay the delinquent taxes prior to water termination. Ms. Bryant reported that one resident has arranged to pay delinquent taxes in three installments and one resident reports that he no longer owns the vehicle for which the taxes are delinquent, which he will resolve with the Harris County Appraisal District. Ms. Bryant reviewed with the Board the resident letter requesting an extension due to financial difficulties, attached to the Delinquent Tax Report. The Board discussed parameters for extension of the resident's tax payments.

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, to authorize the expenditures listed therein, to approve the Delinquent Tax Report, to authorize the water termination for the seven residents who failed to respond to the water termination letters after red tag notice at the residences, and to approve a payment plan for the resident reporting financial difficulties of \$100 a month for six months with the first payment due February 15, 2009 and then re-evaluation of the payment amount.

8. **Delinquent Tax Report and any necessary action.** This item was covered under the Tax Assessor-Collector's Report.

9. **Authorize additional penalty on taxes, penalty and interest remaining delinquent.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Authorizing Additional Penalty on Delinquent Taxes Under Sections 33.07, 33.11 and 33.08, Tax Code (the "Resolution"), a copy of which is attached hereto as Exhibit "F." Ms. Ellison reported that the revenue collected by levying this penalty is used to pay the delinquent tax attorney for the services provided to the District.

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 approve the Resolution.

10. **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 "G." Ms. Austin reviewed the draft budget for fiscal year ending February 28, 2010, included in the Bookkeeper's Report, and requested consultant input.

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.

11. **Adopt Budget for Fiscal Year Ending February 28, 2010.** This item was deferred.

12. **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 "H." Mr. Hirshman reported on development in Cypress Landing Park. He reported that DEC inspected the Cypress Landing Park detention ponds and that the contractor is addressing the punch list items.

Mr. Hirshman reported that DEC is preparing the plans for the wastewater treatment plant generator.

Mr. Hirshman reported that Mr. Hudson, who previously requested out-of-District water service, is pricing the cost of drilling a water well versus platting his property.

Mr. Hirshman reported that the Cypress Mill Park lift station repairs are complete. He reported that children have installed wood across the pilot channel which is blocking drainage. Mr. Hirshman reported that trees are in the detention pond and that he will obtain a cost estimate from Storm Water Solutions to remove trees and trash from the detention pond.

Mr. Hirshman reported that he inspected Mr. Drew's property to investigate the issues in Mr. Drew's demand letter, a copy of which is attached hereto as Exhibit "I." He reported that the road had no noticeable potholes and did not have a crown. Mr. Hirshman reported that Brown & Gay Engineers was supposed to document the condition of the area by taking pictures and video prior to construction and afterward. Mr. Hirshman reported that the drainage ditch was dry. He reported that the contractor did damage the fence, which Mr. Drew repaired without asking for the contractor to repair. Mr. Hirshman reported that he was unaware of any sprinkler damage. Mr. Hirshman stated that he will review the photographs and video to determine the conditions of the area before and after the construction. The Board asked Ms. Ellison to notify Mr. Drew that the District is investigating the matter.

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 Engineer's Report.

13. **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." Mr. Hirshman noted that the wastewater treatment average daily flow is significantly decreased. Mr. Riley stated that he would investigate the wastewater treatment numbers. He reported that there was a digester overflow due to a clogged pipe. Mr. Riley reported that the overflow was contained and cleaned up.

Mr. Riley presented to and reviewed with the Board the Usage for HOA Irrigation Accounts, a copy of which is attached hereto as Exhibit "K." He reported that the irrigation meters on Cascade Bend, Mills Park Lane, Thicket Hollow and Cypress Orchard appear to be District water meters.

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 approve the Operations Report; to terminate the delinquent accounts in accordance with the Rate Order; and to change the account name to the District for the water meters at 14903 Cascade Bend, 14730 ½ Mills Park Lane, 17301 ½ Thicket Hollow and 17303 ½ Cypress Orchard.

14. **Water Conservation Plan and Implementation Report.** The President recognized Ms. Ellison who reported that the District is required by the Texas Commission on Environmental Quality to have a Water Conservation Plan. 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 authorize the District's operator and engineer to complete the Water Conservation Plan.

15. **Review Water Rates and any necessary action.** The Board requested that Mr. Riley obtain neighboring water rates for comparison.

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

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

* * *

The attached and foregoing minutes were passed and approved by the Board of Directors on February 20, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

