

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
October 16, 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 October 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 Halloran. 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. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Mr. Robert Deforest and Ms. Stephanie Lee of KGA Deforest Design, L.L.C.; Mr. Brian Jarrad of Cymill Partners, developer of land in the District; Mr. Don Staas and Mr. Charlie Casillas, 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 September 15, 2009 and September 18, 2009.** The proposed minutes of the meetings of September 15, 2009 and September 18, 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 September 15, 2009 and September 18, 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 regarding a payment sent via overnight delivery to Eagle Water. Director Bryant reported

that a new resident emailed with questions regarding creating an account and deposit, which he forwarded to Eagle Water for management. He reported a person emailed asking if he was located in the District and another on the North Harris County Regional Water Authority fee. Director Bryant reported that a resident emailed to ask if the District owned the detention ponds. Director Bryant reported that he responded to the email that the District owns the detention ponds in the District except for those in Sydney Harbour. Director Bryant reported receipt of an email advising the District to contact CenterPoint Energy prior to planting trees. Director Bryant reported that Gale Norris emailed thanking the District for the Cypress-Rosehill Beautification Project. Director Bryant reported that a resident emailed asking why his subdivision entrance is the only one without the stone fence around the corner. The President stated that that question would be addressed later in the meeting. Ms. Deitrick reported that Ms. Landheart emailed requesting that someone from Eagle Water contact her. She reported that she forwarded the email to Eagle Water for management. Mr. Riley reported that he was unaware of the resolution of Ms. Landheart's issue.

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 September, a copy of which is attached hereto as Exhibit "B." Director Henry reported that criminal activity decreased in the District in September and the extra patrol had been effective. He reported that two juveniles were arrested for graffiti at the detention pond.

Director Henry reported that the Harris County Commissioner's Court approved a 7.1% increase in peace officer rates for 2010.

4. **Report on constable workspace build out and any necessary action.** The President recognized Mr. Hirshman, who reported that the constable workspace final inspection was last Friday. He stated that there are only a few minor corrections to be addressed. Mr. Hirshman reported that the fire marshal inspected the constable workspace on October 13, 2009. He noted that the fire marshal stated that audible devices connected to every automatic sprinkler system, alarm devices on the exterior of the building and a front door that indicates whether the door is locked or unlocked are required. Mr. Hirshman reported that the fire-related items will cost a total of \$5,115. He reported that the previously approved additions for the insulation, fire extinguishers and open office work surface cost \$5,225. Mr. Hirshman stated that the Change Order for a total of \$10,640.00 is in the Engineer's Report. Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the installation of the fire-related items and the Change Order of \$10,640.00.

Director Bryant reported that he has requested quotes for installation and operation of a dedicated T-1 line to the constable workspace. Mr. Pappas reported that each building has a communication box. Director Bryant reported that the T-1 line would be a dedicated line from the facility to Harris County. He stated that a regular analog line has been requested for facsimiles. Director Bryant reported that the District already has an account with AT&T and reviewed the AT&T quote, a copy of which is attached hereto as Exhibit "C." He reported that he would obtain additional quotes and make sure the line is integrated with the alarm system for the building. Mr. Hirshman reported that the T-1 line will be used by the officers to submit paperwork from the office rather than in their cars using air cards. The Board

asked why the officers could not submit the paperwork from the office using their air cards. Director Henry stated that he would discuss the matter with Sergeant Blackledge.

5. **Convene Public Hearing on Proposed Tax Rate for 2009.** The President convened the public hearing on the proposed tax rate for 2009. There were no comments. The hearing was closed.

6. **Adopt Order Setting Tax Rate and Levying Tax for 2009 and Approve Amended District Information Form.** The President recognized Ms. Bryant, who reported that the hearing on the proposed tax rate was published. Ms. Ellison presented to and reviewed with the Board the Order Setting Tax Rate and Levying Tax for 2009, a copy of which is attached hereto as Exhibit "D." Ms. Ellison informed the Board that pursuant to this order the Board sets the 2009 tax rate and levies the tax.

Ms. Ellison presented to and reviewed with the Board the Amendment to Amended and Restated District Information Form, a copy of which is attached hereto as Exhibit "E." She reported that this document is recorded in the Harris County Real Property Records to provide notice to purchasers of property in the District of the current tax rate in 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 adopt the Order Setting Tax Rate and Levying Tax for 2009 with a total tax rate of \$0.99 per \$100 assessed valuation, including a rate of \$0.63 for debt service, \$0.16 for contractual obligations, and \$0.20 for operation and maintenance expenses; to approve the Amendment to Amended and Restated District Information Form and to authorize its filing in the Harris County Real Property Records.

7. **Developers' Report, reimbursement agreement and any necessary easements.** The President recognized Mr. Jarrad, who reported that Cymill Partners is beginning construction of the commercial building next to Compass Bank for AT&T. He reported that a restaurant also may be interested in the site. Director Henry reported that the property at the corner of Cypress Chase and U.S. Highway 290 needs maintenance. Mr. Jarrad stated that he will manage the issue. Director Swedlund asked how long the "Villages of Cypress Mill" sign will be installed. Mr. Jarrad stated that he would research the plans for the sign.

Mr. Pappas reported that two new letters of intent have been signed and that the space is 75% leased. He reported that KFC will be located at a pad site. Mr. Pappas reported that Antoine's Restaurant and Maison's Sports Bar are open and having good business.

8. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Mr. Deforest, who presented to and reviewed with the Board the Status Report, a copy of which is attached hereto as Exhibit "F." He reported that the irrigation plans will be complete next week. Mr. Deforest reported that the plans will be submitted to Harris County after Mr. Hirshman reviews and approves the plans. Mr. Deforest reported that Harris County does plan to install trees in the Cypress-Rosehill median, but that it would occur later and probably be more sparse than the District's plans. Mr. Deforest stated that the Harris County confirmation letter permitting the District to perform maintenance on the

Cypress-Rosehill median is being investigated. Mr. Deforest requested execution of a Harris County Owner Agent Designation Form which provides authority to KGA Deforest Design, L.L.C. to act on behalf of the District for the Cypress-Rosehill Beautification Project.

Mr. Deforest reviewed with the Board the two brick columns at Lot 61 and asked if the columns should be removed. He stated that the columns are shorter than seven feet and are probably owned by the resident as the columns match the house. The Board suggested increasing the height of the columns to seven feet.

Mr. Deforest reported that Fencecrete has indicated that sealant to allow graffiti removal is cost prohibitive because the sealant needs to be applied annually. He stated that it is more cost effective to replace fence panels when necessary.

Mr. Deforest reviewed the tubular steel fencing at Cypress Walk Lane and Floret Estates Lane and noted that there is no side fence. The Board indicated that a side fence should not be installed in this phase of the project. The President asked Mr. Deforest to research the cost for an entrance at the location to match the other entrances along Cypress-Rosehill. He asked Director Bryant to inform the resident that emailed about the entrance that the matter is being researched.

Mr. Deforest reviewed the fence layout and sidewalk plans by the recreation center due to the location of a power pole. He indicated that two live oaks of one inch diameter may need to be relocated at the intersection of Palos Park and Cypresswood for sidewalk construction.

Mr. Deforest reported that the sidewalk will be installed to connect to the Walgreens parking lot. The President stated that DEC is researching the above-ground pipes. Mr. Hirshman reported that he is unable to determine the owner of the large backflow preventer.

Mr. Deforest asked the Board for authorization to bid the Fencecrete portion of the project separately. It was the consensus of the Board to bid the Fencecrete portion separately.

Ms. Ellison reported that the Cypress Mill Homeowner Association attorney has reviewed the draft agreements and that he needs to speak with the Cypress Mill Homeowner Association regarding water, maintenance and shrub removal for the Cypress-Rosehill Beautification Project. She reported that the attorney wants to review the legal descriptions and also asked about obtaining permission from Harris County to be on the median. It was the consensus of the Board to have a special meeting with the Cypress Mill Homeowner Association representatives, attorney and Mr. Deforest to review the project details.

Mr. Hirshman reported that he contacted the Harris County Municipal Utility District No. 391 ("MUD 391") developer to request participation in the Cypress-Rosehill beautification project for the area that is adjacent to MUD 391 and has not heard back. He reported that he will contact the developer again.

**9. Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.**

The President recognized Director Swedlund, who reported that there have been no complaints regarding the new flower beds. Director Bryant stated that the three scrubby trees by the lift station need to be removed. Director Swedlund reported that the scrubby trees belong to the Cypress Mill Homeowner Association.

**10. 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 "G." Ms. Bryant noted that 98% of the District's 2008 taxes had been collected as of September 30, 2009.

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

**11. 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 "H." Ms. Austin reported that one-year term Certificates of Deposit ("CD") were purchased at Compass Bank, Sterling Bank, Green Bank, Amegy Bank and Central Bank with money in the Operating Fund.

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

**12. 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 "I." 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 the wastewater treatment plant generator bids will be received November 3, 2009.

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

Mr. Hirshman reported that Cymill Partners has requested reimbursement for the storm sewer line tie-in for the commercial development serving Alicia's Mexican Grill, which cost \$15,400. The President requested that Mr. Hirshman provide additional information, including the layout of the storm sewer.

Mr. Hirshman reported that DEC addressed Harris County's comments on the wastewater treatment plant drive plans. He asked the Board whether to solicit proposals for the project. It was the Board consensus to solicit proposals for the project.

Mr. Hirshman reported the backflow preventer at the back driveway to Walgreens is not shown on the Wal-Mart plans. Mr. Hirshman stated that he is unable to determine the owner of the large backflow preventer. He stated that he is checking with a mechanical engineer to confirm that the backflow preventers can be buried underground. Mr. Riley stated that the large backflow preventer may be a fire waterline, so shutting off the water to the line may not be an effective way to identify the owner. Director Bryant reported that if water pressure is lowered in the waterline, it may trigger a fire alarm due to low pressure.

Mr. Hirshman reviewed with the Board the Allgood Construction Company work order to relocate the twelve inch waterline which conflicts with the Mueschke Road box culvert. He noted that the work order is in the amount of \$6,950 with an alternate bid of \$1,900 to make it a steel section.

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 Allgood Construction Company relocation of the waterline on Mueschke Road in the amount of \$6,950 plus \$1,900 for the steel section.

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. Riley reported that increasing the water pressure has not affected water accountability. The Board instructed Mr. Riley to lower the water pressure to observe if water accountability increases. The President stated that if an interconnect with Harris County Municipal Utility District No. 391 ("MUD 391") is open, it needs to be located, regardless of whether the MUD 391 operator states that no interconnect is open.

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reviewed the Cypress Mill, Section One, Sanitary Sewer Televising Summary, included in the Operations Report. He reported that Cypress Mill, Section One, is the only section with acrylonitrile butadiene styrene ("ABS") truss pipe. He reported that only one location at the southwest corner of the subdivision has not been televised because an out building is located on top of the manhole and the owner is not cooperating with Source Point. Mr. Riley reported that all of the repairs would be point repairs. He reported that there is a priority one repair at C-5/C-4 with a major offset and hole in the pipe. The Board requested a priority list of the recommended repairs with cost estimates and obstacles. Mr. Riley reported that repairs that are more than five feet deep will be subcontracted.

Mr. Riley reported that the lift station work should be completed by the end of October.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, and to approve the priority one sanitary sewer point repair.

14. **Consider need for insurance proposals.** It was the consensus of the Board to obtain proposals from AquaSurance, Anco-McDonald Waterworks Insurance Services and Highpoint Insurance.

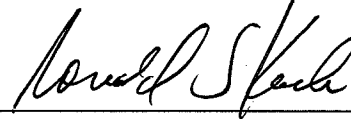
15. **Other matters.** No other matters were discussed.

16. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on November 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.

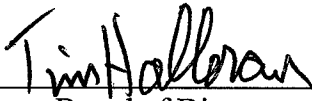
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The attached and foregoing minutes were passed and approved by the Board of Directors on November 20, 2009.



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President, Board of Directors

ATTEST:



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Secretary, Board of Directors

(DISTRICT SEAL)

