

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
October 29, 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 special session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on October 29, 2009, at 11:30 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; Mr. Mark Knop of Hoover Slovacek, L.L.P., attorney for Cypress Mill Homeowners Association ("HOA"); Mr. Robert Rohde of Principal Management Group of Houston, Cypress Mill Homeowners' Association, Inc. Community Manager; Ms. Stephanie Lee of KGA Deforest Design, L.L.C.; Ms. Shirley Whitley and Mr. Chris Jackson of the Cypress Mill Homeowners Association Board; 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. **Review of recreational facilities agreements and any necessary action.**

Mr. Rohde reported that the HOA met October 28, 2009. He reported that there were various questions about the Cypress-Rosehill beautification project, such as whether the proposed fence by the tennis and basketball courts would cause a security issue. The President reported that Sergeant Blackledge stated that it would not be an issue because the deputies inspect the recreation center after driving into the subdivision, not while driving along Cypress-Rosehill Road. Mr. Rohde reported that the residents asked who is responsible for maintenance of the old fence and the area between the old and new fences if the homeowner does not agree to have the old fence removed. He reported that a resident asked who repairs the median curb if it is broken by a vehicle. The President stated that Harris County would be responsible for repair of a median curb.

The President reported that a resident selling his house in Cypress Mill Estates, Section Two, has discovered that his back fence is located on District property by the detention pond. The resident asked that the District allow the fence to remain. The President said he inspected the area and that the fence does not impair any District facilities. Upon motion by Director Koehn, seconded by Director Swedlund, after full discussion and the question being put to the Board, the Board voted unanimously to approve a Consent to Encroachment, a copy of which is attached hereto as Exhibit "B."

Mr. Knop asked what kind of warranty will be provided for the items constructed for the Cypress-Rosehill Beautification project. Ms. Lee stated that the fence will have the standard warranty. She reported that the irrigation system will have a three month maintenance warranty. Ms. Lee stated that after three months, the irrigation rotors and heads will not be under warranty. She reported that the shrubs and trees will have a three month maintenance warranty to ensure the plants thrive. Ms. Lee stated that the trees will have a one year warranty. Ms. Ellison reported that a transfer of the warranties could be included in the proposed agreement with the HOA.

Mr. Knop stated that the HOA needs to establish its title to the areas where the improvements are being constructed prior to approving the proposed agreement. Mr. Hirshman stated that the plats will show the reserves along Cypress-Rosehill Road and that he would provide the plats to the HOA for review. Ms. Ellison reported that the District owns Reserve A in Cypress Mill Park, Section One. It was the consensus of the Board that it would be optimal if Reserve A was conveyed to the HOA. Mr. Rohde and Mr. Knop stated that they believed the HOA would accept a conveyance of Reserve A in Cypress Mill Park, Section One, to the HOA as the HOA owns the remaining property along Cypress-Rosehill Road and maintains all of the property along Cypress-Rosehill Road, including the District's portion. The President reported that Cypress Mill, Section Three, has no landscape reserve. Ms. Ellison stated that obtaining the homeowners' signatures to the homeowner agreements for the proposed Cypress-Rosehill Beautification project will need to be coordinated.

Mr. Knop reviewed references to Exhibits B and C in the proposed Agreement for Development and Conveyance of Facilities, a copy of which is attached hereto as Exhibit "C." It was the consensus of the HOA and District to reference the landscape architect's plans in those exhibits. Ms. Lee stated that she would provide the Cypress-Rosehill Beautification project plans to Mr. Rohde.

Mr. Knop asked if the removal of tree branches, shrubs and other items on HOA property will be expensive. Mr. Rohde reported that there is not a significant number of tree branches or shrubs that would interfere with the construction of the proposed fence. The President stated that the District will cover electrical repair expenses on HOA property.

Mr. Knop asked how expensive it will be for the HOA to water the landscaped medians. Ms. Lee stated that she will provide the HOA with projected water usage for maintenance of the medians. The President noted that the HOA water rates may increase in the future to encourage water conservation. Mr. Knop asked which medians the HOA would maintain. The President stated that the HOA would be responsible for medians south of Cypress Needle. Mr. Knop asked about obtaining permission from Harris County to maintain the

medians. Ms. Lee stated that there will be an agreement with Harris County. Ms. Ellison stated that she will confirm the documentation needed for the HOA and District to be on the median for construction and maintenance.

Ms. Ellison stated that it may be useful to have a designated HOA representative for any issues that arise during construction. Mr. Rohde stated that he would be willing to be the HOA contact for any questions or issues that arise. Mr. Rohde asked if temporary fencing would be installed during construction for homeowners with pets. Ms. Lee stated that she will find out and notify him of her findings.

Ms. Ellison presented to and reviewed with the Board the Maintenance Area Agreement and Fence and Maintenance Area Property Usage Agreement, copies of which are attached hereto as Exhibits "D" and "E," respectively. Mr. Rohde asked how much notice the homeowners will have of the planned construction. Ms. Lee stated that it can be approximately one week. She stated that the contractor will be managing the homeowner notification.

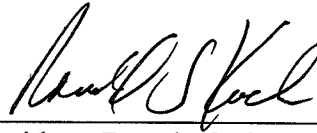
Discussion ensued on distribution of the proposed agreements with the homeowners. It was the consensus of the Board to have F&J distribute the homeowner agreements with a cover letter to explain the project. The Board discussed having a meeting in the District to answer any homeowner questions regarding the proposed agreements and project. Ms. Ellison stated that it would be good to have a HOA representative at the meeting to confirm that the homeowner does not need to maintain the new fence, and to demonstrate that the HOA and District are working together on the project. The Board discussed the easiest way to obtain the services of a notary public to notarize the homeowners' signatures. It was the consensus of the Board to pay for the filing fee for Mr. Rohde to renew his notary license.

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 Agreement for Development and Conveyance of Facilities with the HOA, the Maintenance Area Agreement, and the Fence and Maintenance Area Property Usage Agreement with the amendments discussed at the meeting.

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

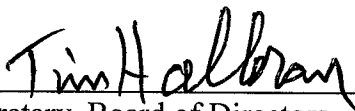
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The attached and foregoing minutes were passed and approved by the Board of Directors on November 20, 2009.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

