

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
December 18, 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 December 18, 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. Steve Sheldon 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 in the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Sergeant Blackledge, constable for the District; Mr. Daniel Blackledge; Mr. Matthew May of Best Trash; 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 meeting of November 20, 2009.** The proposed minutes of the meeting of November 20, 2009, previously distributed to the Board, were presented for review and approval. 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 minutes of November 20, 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 were four resident emails regarding billing which he forwarded to Eagle Water for management.

Director Bryant reported that there was one resident email regarding his tax bill which he forwarded to Assessments of the Southwest for management.

Director Bryant reported that a bondholder emailed to ask that the District obtain a rating for its bonds because the rating on the bonds based upon Radian Asset insurance is now below investment grade. Director Bryant reported that he forwarded the email to the District's financial advisor, Rathmann & Associates, L.P., and is waiting on a response from Mr. Rathmann.

3. **Consider Best Trash and any necessary action.** The President recognized Mr. May, who presented to and reviewed with the Board the advantages of using Best Trash for the District's trash collection service. A copy of his proposal is attached hereto as Exhibit "B." The Board discussed the current trash collection service and the proposed rate by Best Trash.

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 termination of the Residential Solid Waste Hauling Contract with Waste Corporation of America and the engagement of Best Trash for solid waste collection and recycling in the District.

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

Director Bryant reported that a temporary panel has been inserted into the fence adjoining the employee parking lot for Alicia's Mexican Grill. He asked if the temporary panel would be replaced with permanent fencing and if the panel was damaged by a car in the Alicia's Mexican Grill employee parking lot. Mr. Hixon stated that he would research the matter and inform the Board of his findings.

Mr. Pappas reported that 87% of the lease space at The Shoppes at Fry Road is leased. He reported that Kentucky Fried Chicken will close on a pad site in January 2010. Mr. Pappas reported that two pad sites remain available. He reported that the necessary documents have been provided to DEC for the bond application report.

Director Henry asked if the Goodwill shop has an outdoor drop-off area because he encountered trash bags in the parking lot when parking in the vicinity of the Goodwill shop. Mr. Pappas stated that he would notify his property management company about the issue. He stated that Goodwill has not requested permission for a drop-off bin in the parking lot.

5. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President reported that KGA Deforest Design, L.L.C. has submitted the Cypress-Rosehill Beautification plans to Harris County and is addressing Harris County Flood Control District comments on the plans.

The President reported that he has obtained signature of three Fence and Maintenance Area Property Usage Agreements.

Ms. Ellison reported that the Agreement for Development and Conveyance of Facilities between the District and the Cypress Mill Homeowners' Association, Inc. ("HOA") and the General Warranty Deed granting a reserve in Cypress Mill Park, Section One to the HOA have been finalized. Upon motion by Director Bryant, seconded by Director Kuehn, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Agreement and the Deed, copies of which are attached hereto as Exhibits "C" and "D," respectively.

6. **Security report and any necessary action.** The President recognized Director Henry, who reported that Wal-Mart was not allowed to donate furniture for the new constable space. Sergeant Blackledge presented to and reviewed with the Board the Security Report for the month of November, a copy of which is attached hereto as Exhibit "E."

7. **Consider Renewal of Extra Patrol.** Sergeant Blackledge presented to and reviewed with the Board the Extra Patrol Stats and Six Month Totals, copies of which are attached hereto as Exhibits "F" and "G," respectively. The Board discussed renewal of the extra patrol. Ms. Ellison presented to and reviewed with the Board Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "H." 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 Exhibit A to the Independent Contractor Agreement which extends the extra patrol for six months from January 17, 2010 to July 16, 2010.

8. **Renew Interlocal Agreement for Law Enforcement Services with Harris County.** The President recognized Ms. Ellison, who presented to the Board the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "I." She stated that the Interlocal Agreement for Law Enforcement Services is for one sergeant and five deputies.

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 Interlocal Agreement for Law Enforcement Services.

9. **Consider date of constable workspace open house and any necessary action.** This item was deferred.

10. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** The Board reviewed the GreenPros proposal for one valve box lid replacement, one water meter box replacement and one irrigation rotor replacement in the amount of \$175.00, a copy of which is attached hereto as Exhibit "J." The President noted that Eagle Water should replace the valve box lid and meter box. 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 authorize Eagle Water to perform the appropriate repairs and coordinate the remaining repair with Director Swedlund and GreenPros.

11. **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 "K." Ms. Bryant noted that 2% of the District's 2009 taxes had been collected as of November 30, 2009. The Board asked Ms. Bryant to obtain a delinquent attorney report, including recommended water terminations, for the next meeting.

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

12. **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 "L." Ms. Austin reviewed the Quarterly Investment Report, included in the Bookkeeper's Report.

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, to authorize payment of the checks listed therein and to approve the Quarterly Investment Report.

13. **Review Investment Policy.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution Reviewing Investment Policy and Making Any Desirable Changes Thereto (the "Resolution Reviewing the Investment Policy"), a copy of which is attached hereto as Exhibit "M." Ms. Ellison reported that the Public Funds Investment Act requires the Board to review the District's investment policy annually. She further stated that there are no recommended changes to the current investment policy at this time. 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 approve the Resolution Reviewing the Investment Policy and to maintain the current investment policy.

14. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, damage claims.** The President recognized Mr. Sheldon, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "N." Mr. Sheldon reported that DEC is working on the new wastewater flows for the wastewater treatment plant expansion. Mr. Sheldon 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. Sheldon reported that the Notice to Proceed for the generator installation at the wastewater treatment plant was issued on December 1, 2009. He stated that the generator installation is scheduled to be complete by June 2010.

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

Mr. Sheldon reported on the Constable Workspace. He reported that the inspection for compliance with the Americans with Disabilities Act is scheduled for January 6, 2010.

Mr. Sheldon reported that a water and wastewater treatment capacity commitment letter has been issued to Cymill Partners for the 5,400 square feet retail center to be developed on the 8.9 acre tract. Mr. Hixon noted that the retail space will be 5,600 square feet.

Mr. Sheldon reported that DEC submitted the wastewater treatment plant drive final plans to Harris County and is now waiting on approval to obtain the permit.

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

Mr. Sheldon reported that Brown & Gay Engineers issued the Notice to Proceed letters for the construction of water, sanitary sewer and drainage in Cypress Landing East, Section Three, Phase I, and Section Four, and Cypress Landing East Lift Station #2.

Mr. Sheldon reported that DEC is working with the District bookkeeper to determine the reimbursement due Academy Development for the \$159,263.50 payment made in 2001.

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.

15. **Authorize preparation of Emergency Preparedness Plan.** The President recognized Ms. Ellison, who reported that the Texas Commission on Environmental Quality (the "TCEQ") has completed rules to implement Senate Bill 361. She said that the District must file an Emergency Preparedness Plan ("EPP") with the TCEQ by March 1, 2010. 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 authorize DEC to prepare the EPP.

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 "O." Mr. Riley reviewed with the Board the Cypress Mill, Section One, Video Summary of the sanitary sewer lines, included in the Operations Report. He reported that Eagle Water recommended repair of the bolded items on the list. Mr. Riley noted that Cypress Mill, Section Two, has polyvinyl chloride ("PVC") pipe and that he does not expect that section to need many repairs because PVC pipe lasts longer. Mr. Riley reported that Cypress Mill, Section One, is the only section with acrylonitrile butadiene styrene ("ABS") truss pipe. Mr. Riley reported that Eagle Water will be able to perform the majority of the recommended repairs without subcontractors.

Mr. Riley reported that the Lift Station #1 repairs are complete and that the lift station is operating well. He reported that the lift station was put on bypass during the repairs and that an overflow occurred at a manhole because the bypass pump failed. Mr. Riley reported that Eagle Water cleaned and treated the wastewater overflow and notified the TCEQ.

Mr. Riley reported that he submitted the Preliminary Energy Assessment Service Agreement with the State Energy Conservation Office in March and has not received a response regarding an assessment.

Mr. Riley reported that the six inch above ground check valve at the back driveway to Walgreens is a fire water line serving Spec's Liquors. Mr. Riley reported that this was determined upon review of the Walgreen's plans. He reported that the six inch valve can be relocated underground in a fabricated vault with a steel top. Mr. Riley requested the President review the area with him prior to proceeding with the relocation. Mr. Hixon authorized Eagle Water to proceed with the check valve relocation.

Mr. Riley reported that Eagle Water has apologized to Ms. Clooney for the disconnect notice delivered to the incorrect address. He stated that Eagle Water had the incorrect address for the notice.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, to proceed with the recommended sanitary sewer repairs in Cypress Mill, Section One and to authorize Eagle Water to relocate the six inch check valve at the back driveway to Walgreens.

17. **Review sanitary sewer repair list and any necessary action.** This item was covered under the Operator's Report.

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

19. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on January 15, 2010, 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 January 15, 2010.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

