

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
February 20, 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 February 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. 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. Bubba Beyer of Storm Water Solutions; Mr. Greg Sissel of BKD, L.L.P., auditor for the District; Mr. Chris Swedlund, District resident; 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 January 16, 2009.** The proposed minutes of the meeting of January 16, 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 January 16, 2009 as presented.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the Board. Director Bryant reported that a resident emailed about difficulty paying the water bill online, which was forwarded to Eagle Water for management. He reported that Ms. Loughlin emailed about replacing dead shrubs outside of her

back fence, which he forwarded to Director Swedlund for management. Director Bryant reported that a resident emailed complaining that the District allowed Alicia's Restaurant to construct a parking lot on the frontage road because it decreases home values and is unsightly. Director Bryant reported that Greg Pendley from CGP Solutions emailed regarding electricity pricing. He reported that a resident emailed regarding his tax bill which was forwarded to the District tax assessor for management. Director Bryant reported that Mr. Loughlin emailed regarding posting of the agenda, to which he replied, stating that the agenda is posted at least 72 hours prior to the meeting in the District and at the Harris County courthouse pursuant to the Open Meetings Act.

3. **Consider and Authorize Law Enforcement Liability Insurance Coverage.** The President recognized Ms. Ellison, who reported that Aquasurance provided a quote for law enforcement liability coverage and peace officer bonds for the deputies working under the District's contract with Harris County. She stated that the coverage would be relevant for situations where a deputy was negligent or there was an error or omission in performing or failing to perform services. The Board discussed the insurance coverage and requested further information from Aquasurance. No action was taken on this item.

4. **Appoint Auditor for Fiscal Year Ending February 28, 2009.** The President recognized Mr. Sissel, who presented to and reviewed with the Board an engagement letter for BKD, L.L.P. for fiscal year ending February 28, 2009, a copy of which is attached as Exhibit "B." Mr. Sissel requested that the Board consider engaging the services of BKD, L.L.P. to prepare the District's annual audit for fiscal year ending February 28, 2009, at an estimated cost of \$16,200.

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 engagement letter and authorize the President to execute the letter.

5. **Developers' Report, reimbursement issues and any necessary easements.** The President recognized Mr. Pappas, who reported that leasing interest continues to be positive. He reported that the preliminary pricing for the constable workspace is approximately \$43 per square foot for the 1,200 square foot space.

Mr. Hixon reported that construction will begin when two tenants are secured for the proposed building for the 3.7 acre tract.

6. **Any Necessary Action Regarding Notice from Harris County (Alicia's Parking Lot).** Mr. Hixon reported that the permit should be secured next week. Director Swedlund requested that the lease be reviewed and a clause added, if necessary, requiring the restaurant to pay for any damage to residents' fencing.

7. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and mowing proposals.** Director Swedlund presented to and reviewed with the Board the mowing proposals from Greenpros and Perennial Landscaping, copies of which are attached hereto as Exhibits "C" and "D," respectively. She reported that Greenpros bid was the lowest.

Director Swedlund reminded the Board that they had deferred her request at the last meeting that the wax myrtles along the Cypress Mill Estates Detention Pond sidewalk be removed. She reported that the resident that had the hammock behind her fence requested removal of the wax myrtles and tree behind the fence because the neighborhood children congregate in the vicinity and cause trouble, including setting a computer on fire at that location.

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 maintenance contract, the removal of the wax myrtles along the Cypress Mill Estates Detention Pond sidewalk and installation of sod, and the removal of the wax myrtles and tree at the fence behind 18403 Cypress Stone Lane.

8. **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 "E." Ms. Bryant noted that 83% of the District's 2008 taxes had been collected as of January 31, 2009.

Ms. Bryant presented to and reviewed with the Board a resident request for a payment plan for \$400 per month for the delinquent 2007 taxes. Ms. Bryant reported that the resident already sent in a payment, that the 2007 taxes would be paid off by September 2009 at this payment rate and that the resident still owes the 2008 taxes.

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, and to approve the resident payment plan in the amount of \$400 per month for the delinquent 2007 taxes.

9. **Delinquent Tax Report and take any necessary action regarding delinquent accounts including termination of service.** No action was taken on this item.

10. **Consider Property Tax Exemptions.** Ms. Ellison presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older (the "Order"), a copy of which is attached hereto as Exhibit "G." Ms. Ellison informed the Board that in 2008 the District offered an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who were disabled or were 65 years of age or older.

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 Order with an exemption of \$20,000 of the appraised value of residence homesteads within in the District for individuals who are disabled or 65 years of age or older

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 presented to and reviewed with the Board the Certificates of Deposit Interest Rate Sheet, a copy of which is attached hereto as Exhibit "I." The Board discussed diversification of the District's investments.

Ms. Austin reviewed the draft budget for fiscal year ending February 28, 2010, included in the Bookkeeper's Report.

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, to authorize payment of the checks listed therein, to approve a \$240,000 six-month term CD at Green Bank for the Operating Fund, to approve a \$95,000 one-year term CD at Founders Bank for the Operating Fund, to authorize the bookkeeper to purchase additional CDs to diversify the District's Operating Fund investments, and to adopt the proposed budget for fiscal year ending February 28, 2010.

12. **Adopt Budget for Fiscal Year Ending February 28, 2010.** This item was covered under the Bookkeeper's Report.

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

Upon discussion of the constable workspace, Mr. Pappas stated that will obtain three proposals for the workspace build out and that his attorney will draft the lease agreement.

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 authorize proceeding with the constable workspace lease at The Shoppes at Fry Road

14. **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 "K." 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 recommended approval of developer payment of Pay Estimate No. 7 from SLC Construction in the amount of \$30,270.52 for the waste, sanitary sewer and drainage construction in Cypress Landing, Sections One and Two.

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 Interplan Architects has requested service for a proposed Food Mart at the corner of Fry Road and the south side of U.S. Highway 290 near Cypress Rosehill Road. He stated that the request is for 450 gpd of water and sanitary sewer capacity with a 1½ inch water tap and 1 inch irrigation meter. The Board discussed the tract location and feasibility of serving the tract. The Board asked Ms. Ellison to send a letter to Interplan Architects stating that annexation is required for utility service and advising Interplan

Architects of the requirements for annexation, including a \$10,000 deposit for annexation costs.

Mr. Hirshman reported that Cypress Land Development, L.L.C. requested information on annexation of a 22 acre tract at 14914 Mueschke Road. The Board stated that annexation would only be considered once the development plans are definite and conveyed to the Board. The Board asked Ms. Ellison to send a letter to Cypress Land Development, L.L.C. regarding the Board's requirements.

Mr. Hirshman recommended approval of developer payment of Pay Estimate No. 3 from Crostex Construction in the amount of \$98,525.70 for the water, sanitary sewer and drainage for the Shoppes at Fry Road. Mr. Hirshman recommended approval of developer payment of Pay Estimate No. 4 from Crostex Construction in the amount of \$62,755.02 for the water, sanitary sewer and drainage for the Shoppes at Fry Road.

Mr. Hirshman presented to and reviewed with the Board the Storm Water Solutions proposal for the Cypress Mill Park, Section One Detention Pond Repairs, including tree removal and regrading the bottom of the pond to drain to the pilot channel. He stated that the proposed cost is \$23,960.00. The Board requested that all of the trees be removed. The Board discussed whether it would be more cost effective to leave the stumps in place and treat them with chemicals rather than grinding them up. Mr. Beyer stated that he would revise the proposal for the additional tree removal and treating the stumps in place. Upon request by Director Swedlund, Mr. Beyer stated that he will also be able to remove the wax myrtles that will be removed at Cypress Mill Estates detention pond.

Mr. Hirshman presented to and reviewed with the Board the Storm Water Solutions proposal for the Cypress Ridge Detention Pond Repairs, which includes a clean out of the pond and outfall pipe from the pond, under Cypress Church, and to the outfall at the drainage ditch. He stated that the proposed cost is \$16,095.00. Mr. Hirshman stated that the box culverts contain silt that will have to be removed as well as vegetation.

Mr. Hirshman presented to and reviewed with the Board the Storm Water Solutions proposal for the Cypress Mill Estates Detention Pond Repairs for the clean out of the French drain and inlets for the cost of \$2,250.00. The Board discussed the need for the detention pond repairs to increase the District's detention capacity prior to hurricane season.

Mr. Hirshman reported that he discussed the Drew demand letter with Mr. Steve Carroll of F&J. He stated that Mr. Carroll discussed the matter with Mr. Drew's attorney and suggested that Mr. Hirshman meet with Mr. Drew to show the "before" and "after" pictures to demonstrate the improvement in the drainage ditch. Mr. Hirshman stated that he has contacted Brown & Gay Engineers to obtain the pictures. The President noted that the contractor is responsible for the damage to the gate and that the contractor did trespass. It was the consensus of the Board not to have Mr. Hirshman meet with the Drews until the Board has had the opportunity to review the pictures.

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 Engineer's Report, to approve developer payment of Pay Estimate No. 7 from SLC Construction

in the amount of \$30,270.52 for the waste, sanitary sewer and drainage construction in Cypress Landing, Sections One and Two, to approve developer payment of Pay Estimate No. 3 from Crostex Construction in the amount of \$98,525.70 for the water, sanitary sewer and drainage for the Shoppes at Fry Road, to approve developer payment of Pay Estimate No. 4 from Crostex Construction in the amount of \$62,755.02 for the water, sanitary sewer and drainage for the Shoppes at Fry Road, and to approve the proposals submitted by Storm Water Solutions for detention pond repairs.

**15. Cypress Land Development request for annexation and capacity consideration.** 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 "L." Mr. Riley reported that the basin at the wastewater treatment plant overflowed on February 5, 2009. He stated that the electronic program malfunctioned and that NTS is researching the matter. Mr. Riley reported that temporary floats have been added to the basin to trigger an alarm if the liquid in the basin rises too high. The President stated that there needs to be a permanent alarm system at the plant to avoid any future overflows. Mr. Riley reported that Eagle Water notified the Texas Commission on Environmental Quality of the sewage overflow.

Mr. Riley reported that the meter at water well #1 is under-reading which accounts for the continued accountability above one hundred percent. He stated that the meter will be repaired.

Mr. Riley stated that he will obtain a proposal to relocate the gates at the wastewater treatment plant. He noted that this will improve truck access to the facility. He stated that he will include in the proposal the addition of a two inch water supply tap at the wastewater treatment plant.

Mr. Riley reported that there is no diesel/water separator at Water Plant No. 2 and recommended the installation for the cost of \$750.

Mr. Riley reported that Eagle Water is servicing the right angle drive at Water Plant No. 1. Mr. Hirshman reported that the right angle drive is not in use and was not removed due to the expense of removing the right angle drive. Mr. Riley reported that he will have Eagle Water stop servicing the right angle drive. The Board requested that Mr. Riley attempt to locate a buyer for the right angle drive.

Mr. Riley reported that a Water Conservation Plan is not required for a district with less than 3,300 connections. Ms. Ellison concurred.

Director Henry reviewed the article in the Cypress Mill newsletter regarding irrigation meters incorrectly billed to the Cypress Mill Homeowners Association ("HOA"). Mr. Riley reported that Eagle Water has researched the irrigation meter ownership and stopped billing the HOA for four meters.

Mr. Hixon asked if the District could install protection for the above ground waterlines at the back driveway to Walgreens. The President stated that the District could install bollards and landscaping to protect the lines. Mr. Hirshman stated that, depending on the height requirement, it may be possible to lower the lines and the landscaping should not obstruct the view of drivers pulling out of the driveway. Mr. Riley stated that he will provide the height criteria for the pipes. Mr. Hirshman stated he would prepare a plan for protecting the pipes. Mr. Hixon stated that his landscape architect will prepare a landscape plan once Mr. Hirshman provides the 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 approve the Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, and to approve the installation of a diesel/water separator at Water Plant No. 2.

17. **Report on Association of Water Board Directors Conference.** Director Bryant reported that the conference focused on disaster recovery and preparation for future hurricanes. He stated that the Dealing with Disaster seminar with the county judges was very informative and well presented.


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 March 20, 2009, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

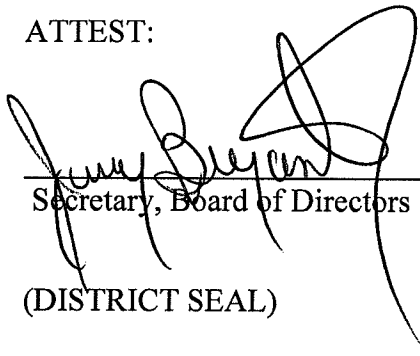
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

