

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 19, 2010

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 November 19, 2010, 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
David Templeton, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present. Also attending all or portions of the meeting were 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; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Jimmy Pappas of Corinthian Development, developer of land in the District; Ms. Shannon Wiesepape of Pulte Group, developer of land in the District; Mr. Jim Moore and Mr. Robert Moore of First General Realty; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Sergeant Blackledge, constable for the District; Mr. Mark Riordan of Lakes of Rosehill Homeowner Association; 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 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 October 15, 2010.** The proposed minutes of the meeting of October 15, 2010, 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 October 15, 2010, 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 one resident

emailed regarding not being able to pay the water bill with Visa. Ms. Ellison reported that proposed legislation by Representative Bill Callegari is addressing this issue.

Director Bryant reported that one resident requested the District replace dead and dying trees along Cypress-Rosehill Road in Sydney Harbour.

Director Bryant reported that one resident requested that the new fence installation that extends around corners be installed to the same length instead of by lot length on the green belt north of Maple Mill.

Director Bryant reported that one resident emailed to state what a shame that vandals put graffiti on the new fence and asked if street light installation is possible to prevent such activity. Director Bryant reported that the graffiti has been painted over.

Mr. Hirshman reported that Ms. Cheryl Johnson contacted him regarding mowing of the Cypress-Rosehill Road right-of-way. The President stated that the contractor is maintaining the area and that it was recently mowed.

3. Developer's Report, reimbursement issues and any necessary easements. Ms. Stephenson reported that Smashburger sales are phenomenal and number one in the country for Smashburger. The President stated that the Alicia's Mexican Grille temporary parking lot has been blocked off. The Board requested that F&J notify Alicia's Mexican Grille to restore the parking lot to its original condition.

Ms. Wiesepape reported that Cypress Landing East had two sales and five closings in October. She reported that utilities construction in Cypress Landing East, Section Three, Phase Two, is underway and Section Five is complete.

Mr. Pappas reported that a medical user is under contract for the pad site next to CVS Pharmacy. He reported that only one pad site remains available.

Mr. Moore reported that the Cypress Landing detention pond will be ready for inspection next week.

4. Cypress-Rosehill Beautification Project and any necessary action. The President reviewed Ms. Stephanie Lee's email, stating that the fence walk through inspection is scheduled for next Tuesday. He reported that the west side of the landscape project is expected to be complete next week and the east side landscape work is expected to be complete in two weeks.

The President reported that Ms. Lee estimates that the extension of the fence for the length of an additional lot on the green belt north of Maple Mill will cost approximately \$5,000. It was the consensus of the Board not to extend the fence.

The President reported that Ms. Lee estimated that it would cost approximately \$120,000 to match the new streetscape planting in Sydney Harbour. The Board requested that F&J contact the Sydney Harbour Homeowner Association to determine if it would be willing to assume maintenance and responsibility for such streetscaping if the District installed it.

The Board discussed the cost of installing street lights. Mr. Pappas reported that there is a fixed monthly charge per light. The Board requested that Mr. Hirshman research street light installation and maintenance expenses for the Board's consideration. Director Bryant stated that he would inform the resident inquiring about street light installation that the Board was researching the option.

5. Lakes of Rosehill Homeowner Association request regarding security and any necessary action. The President recognized Mr. Riordan, who reported that he is the Vice President of the Lakes of Rosehill Homeowner Association ("HOA"). He reported that the Lakes of Rosehill is located at the northwest corner of Huffmeister Road and Cypress-Rosehill Road. He reported that the HOA is requesting that the District amend its security contract with the Harris County Constable's Office to add the HOA area to the District's security area and to add an additional deputy. He said the HOA would pay for the District for the cost of an additional deputy. Mr. Riordan reported that criminal activity in the District and the HOA are closely related and performed by the same criminals. He reported that sharing security with the HOA will assist the District's constables prevent criminal activity in the District. Mr. Riordan reported that there are 400 homes in the HOA. Sergeant Blackledge reported that the HOA is seeking increased security visibility. He reported that he and five deputies currently patrol the District. Sergeant Blackledge reported that the HOA has approximately two calls per week. He reported that the criminal activity in the HOA and District are synchronized because the criminals enter both areas at the same frequency. Sergeant Blackledge reported that if an additional deputy is added to the District's contract, the deputy will be under his supervision. He reported that the added deputy will also increase visibility and coverage in the District. Ms. Ellison stated that there should be a contract between the District and the HOA, under which the HOA would make monthly payments for one deputy in advance. 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 move forward to amend its contract with the Constable's Office to add a deputy and to expand its boundaries to include the HOA and to enter into a contract with the HOA regarding sharing the cost, subject to F&J review of pertinent legal issues.

Sergeant Blackledge reported that Harris County Municipal Utility District No. 391 ("MUD 391") may contact the District to request sharing of deputies as well. He reported that MUD 391 has one deputy under contract.

6. Renew Interlocal Agreement for Law Enforcement Services with Harris County. The President reviewed the Interlocal Agreement for Law Enforcement Services between Harris County and the District, a copy of which is attached hereto as Exhibit "B." He noted that the cost increased 4% from 2010.

Upon motion by Director Henry, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Interlocal Agreement for Law Enforcement Services.

7. Security report and any necessary action. The President recognized Sergeant Blackledge, who presented to and reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "C."

8. **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 "D" and "E," 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 "F." Upon motion by Director Henry, seconded by Director Templeton, 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 December 17, 2010 to June 17, 2011.

9. **Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters and any necessary maintenance.** No action was taken on this item.

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 99% of the District's 2009 taxes had been collected as of October 31, 2010.

Ms. Bryant reported that the Harris County Appraisal District provided an estimated assessed taxable valuation for the District on October 1, 2010 of \$441,715,000.

Ms. Bryant reported that the funds for the taxes on lots owned by Kimball Hill Homes remain in escrow. Ms. Ellison reported that Carl Sandin of Perdue, Brandon, Fielder, Collins & Mott, L.L.P, the District's delinquent tax attorney, is pursuing collection.

Upon motion by Director Templeton, 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 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 the checks include Pay Estimate #4 to Fencecrete America, Inc. in the amount of \$77,326.55 for the fencing of the Cypress-Rosehill Beautification Project and Pay Estimate #4 and final to Hi-Tech Electric, Inc. in the amount of \$28,454.00 for the wastewater treatment plant generator. Ms. Austin reported that check #7548 is payment to MUD 391 for the District's share of the interconnect because the original payment was never received.

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

12. **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 "I." Mr. Riley

reported that Eagle Water ordered the Wastewater Treatment Plant replacement blower. He reported that the Eagle Water cleaned the Wastewater Treatment Plant digesters.

Mr. Riley reported that accountability for October is 96.1%. Mr. Riley noted that the service line leak water loss may be overestimated and that he has spoken with his employees about the estimates.

Mr. Riley reported that Eagle Water performed the annual flushing valve survey. He stated that Eagle Water surveys approximately one-third of the District's flushing valves each year. Mr. Riley reported that approximately twenty flushing valves require painting, mostly in Cypress Mill Estates. Mr. Riley requested Board authorization to paint flushing valves as needed without discussing it with the Board.

Mr. Riley presented to and reviewed with the Board a list of high water users, a copy of which is attached hereto as Exhibit "J." He reported that the five accounts listed used more than 100,000 gallons of water in October. Mr. Riley reported that the District had 33 days without rain. He reported that the first account sent in \$40 and the remaining customers on the list contacted Eagle Water for a bill adjustment. Mr. Riley reported that Eagle Water reads the water meters, reviews the readings in the office and confirms any unusual meter readings before sending the bill. Mr. Riley reported that Eagle Water is starting a new program to notify customers of unusually high water usage by hanging door knockers as soon as the meters are read.

Mr. Riley asked the Board if it wanted to authorize a one-time adjustment for the five customers using more than 100,000 gallons of water in October to charge them at the lowest water rate for all usage plus the North Harris County Regional Water Authority fee. Upon motion by Director Bryant, seconded by Director Templeton, 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 authorize Eagle Water to paint the District's flushing valves on an as need basis without prior Board approval and to authorize Eagle Water to make a one-time adjustment for these five customers by charging them for water used at the lowest water rate plus the North Harris County Regional Water Authority fee.

13. **Renew District Insurance.** The President opened discussion to the Insurance Proposals by AquaSurance, L.L.C., a copy of which is attached hereto as Exhibit "K."

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 Insurance Proposal by AquaSurance, L.L.C.

14. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, bonds.** 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 "L." Mr. Hirshman reported that DEC is awaiting documentation from the developer and engineer for the ninth Bond Issuance Application for Cypress Landing East.

Mr. Hirshman reported that DEC submitted the surplus funds request for reimbursement for Cypress Landing West, first phase, to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman recommended Board authorization of developer payment of Pay Estimate #1 to Reddico Constriction in the amount of \$205,097.53 for the utility construction in Cypress Landing East, Section Three, Phase Two and Section Five.

Mr. Hirshman recommended Board authorization of payment of Pay Estimate #4 and final to Hi-Tech Electric, Inc. in the amount of \$28,454.00 for the wastewater treatment plant generator.

Mr. Hirshman reported on the proposed interconnect with MUD 391. He reported that F&J contacted the MUD 391 attorney to request that MUD 391 consider the proposed interconnect and that DEC has not heard from MUD 391.

Mr. Hirshman reported on the feasibility study for utility service to Harvest Bible Church. He reported that the project is on hold until it is known whether the proposed interconnect with MUD 391 will be constructed as this will influence the design plans for service to the church.

Mr. Hirshman reported that Mr. Joyner contacted DEC regarding the cost for utility service.

Mr. Hirshman reported on utility service for the Sasher Lane properties. He reported that DEC will research utility service options and associated costs for the Board's consideration.

Mr. Hirshman reported that DEC is reviewing an annexation request for a 1.33 acre tract just south of the Sasher Lane properties.

Mr. Hirshman reported that the installation of a 16,000 gallon hydropneumatic tank and a booster pump will be needed to meet TCEQ requirements prior to the next bond issuance. Mr. Hirshman requested Board authorization to research the water supply upgrades.

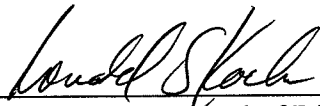
Upon motion by Director Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to authorize developer payment of Pay Estimate #1 to Reddico Constriction in the amount of \$205,097.53 for the utility construction in Cypress Landing East, Section Three, Phase Two and Section Five; to authorize payment of Pay Estimate #4 and final to Hi-Tech Electric, Inc. in the amount of \$28,454.00 for the wastewater treatment plant generator, and to authorize DEC to research the water supply upgrades.

15. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on December 17, 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 foregoing minutes were passed and approved by the Board of Directors on December 17, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

