

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
September 17, 2010

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 September 17, 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, except Directors Henry and Templeton. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Mike Plunkett 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; Ms. Shannon Wiesepape of Pulte Group, developers of land in the District; Mr. Robert Moore of First General Realty; Mr. Nick Luton of Meritage Homes, developer of land in the District; Ms. Stephanie Lee of KGA Deforest Design ("KGA"); Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Sergeant Blackledge, constable for the District; Mr. Daniel Blackledge; Mr. Craig Rathmann of Rathmann & Associates, financial advisor for the District; 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 August 20, 2010.** The proposed minutes of the meeting of August 20, 2010, previously distributed to the Board, were presented for review and approval. The President stated that the minutes should reflect, under Public Comments on page two and under Recreational Facilities Planning/Harris County Flood Control District Partnership, Report on Homeowners Association matters on page four, that the District will repair the resident fence adjacent to the premises Alicia's Mexican Grille leases from the District if Alicia's fails to do so by the time it vacates the premises, but the District will back charge Alicia's for the cost.

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 minutes of August 20, 2010, as revised.

2. **Public Comments and letters from residents.** The President recognized Director Bryant, who reported on emails to the District's website. He reported that three residents emailed with billing issues which were forwarded to Eagle Water for management.

Director Bryant reported that a resident emailed about the mosquitoes in Cypress Mill Estates. Mr. Hirshman reported that Cypress Mill Homeowner Association coordinates mosquito spraying. The President asked that the resident be contacted to clarify if the mosquitoes are related to the detention pond or just the neighborhood generally.

Director Bryant reported that a resident emailed asking if the Cypress-Rosehill Beautification progress had stalled since work seemed to stop. Director Bryant reported that he reassured the resident that the project is continuing.

The President asked if Eagle Water had contacted Ms. Stickle as requested in her email. Mr. Plunkett reported that Ms. Stickle paid her bill and her water service was reinstated. The President requested that Eagle Water contact Ms. Stickle to confirm she is satisfied with the reinstated water service.

3. **Security report and any necessary action.** The Board reviewed the Security Report for the month of August, a copy of which is attached hereto as Exhibit "B."

Sergeant Blackledge joined the meeting.

The Board discussed the extra bicycle patrol along the detention ponds. The Board requested that the extra bicycle patrol bike through the neighborhoods occasionally to increase its visibility in the District. Sergeant Blackledge stated that he would notify the deputies of the Board's instructions.

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 Security Report.

4. **Developer's Report, reimbursement issues and any necessary action.** The President recognized Mr. Luton, who reported that the two model homes in Cypress Park will be complete and open soon.

Ms. Stephenson reported that Smashburger is expected to open September 24, 2010 and that AT&T is expected to open on October 29, 2010.

Mr. Moore reported that the detention pond rehabilitation is underway and that the surplus fund application documents have been provided to DEC.

Ms. Wiesepape reported that Pulte had two sales in September and was landscaping along Mueschke Road near Section 3.

5. **Proposal for generator maintenance and grid revenue participation program.** This item was deferred.

6. **Cypress-Rosehill Beautification Project and any necessary action.** The President recognized Ms. Lee, who presented to and reviewed with the Board the Project Status Report, a copy of which is attached hereto as Exhibit "C." Ms. Lee reported that the landscaping contractor has begun maintenance of the medians. She reported that the landscaping contractor will follow Fencecrete for the remaining landscaping installation.

Ms. Lee reported that the fence installation has been delayed by rain and the need to coordinate with CenterPoint Energy to move gas lines which were not correctly marked and conflicted with the fence. Ms. Lee stated that the project is expected to be complete by the end of October.

Ms. Lee reported that the sidewalk extension for tie-in to Walgreen's existing sidewalk ramp is complete.

Ms. Lee reported that the telephone pedestal re-grading at the Water Plant is complete.

Ms. Lee requested Board authorization of payment of Pay Estimate #4 to Allgreen Associates in the amount of \$73,492.82 for the landscaping of the Cypress-Rosehill Beautification Project.

Ms. Lee requested Board authorization of payment of Pay Estimate #2 to Fencecrete America, Inc. in the amount of \$67,026.91 for the fencing of the Cypress-Rosehill Beautification Project.

Ms. Lee reported that the four natural gas line relocations totaled \$1,400.00. She reported that previous extra charges were applied to the miscellaneous expense of the contract with Allgreen Associates. Ms. Lee asked the Board if the gas line relocation cost should be applied to the miscellaneous expense of the contract with Allgreen Associates or as a Change Order with the Fencecrete contract. It was the consensus of the Board to approve a change order to the contract with Fencecrete to include the gas line relocation charges.

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 payment of Pay Estimate #4 to Allgreen Associates in the amount of \$73,492.82 for the landscaping of the Cypress-Rosehill Beautification Project, to approve payment of Pay Estimate #2 to Fencecrete America, Inc. in the amount of \$67,026.91 for the fencing of the Cypress-Rosehill Beautification Project and to approve the gas line relocation cost of \$1,400.00 as a change order.

7. **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.

8. **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 "D." Ms. Bryant noted that 99% of the District's 2009 taxes had been collected as of August 31, 2010.

Ms. Bryant reported that she contacted Stewart Title regarding the Kimball Hill Homes delinquent tax accounts. She reported that Stewart Title stated it is waiting on the bankruptcy court to distribute the escrowed tax payments.

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

9. **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 "E."

Ms. Austin reported that the Certificates of Deposit ("CD") in the Operating Fund will mature prior to the next Board meeting. She asked the Board if it wanted the proceeds reinvested in CDs.

Ms. Austin reported on the checks not included in the Bookkeeper's Report, check #7484 to Hi-Tech Electric, Inc. in the amount of \$6,382.71 for Pay Estimate #3 for the Wastewater Treatment Plant generator installation and check #7485 to Allgreen Associates in the amount of \$73,492.82 for Pay Estimate #4 for the landscaping of the Cypress-Rosehill Beautification Project.

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 added by Ms. Austin, and to authorize the bookkeeper to purchase CDs if an acceptable interest rate is available.

10. **Consider the Financial Advisor's Recommendation for the 2010 Tax Rate and Authorize Publication.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board the recommendation for the 2010 tax rate, a copy of which is attached hereto as Exhibit "F." Mr. Rathmann reported that the debt tax rate should be maintained at \$0.63 per \$100 assessed valuation. He reported that the developer contract tax rate should be maintained at \$0.16 per \$100 assessed valuation. He stated that most taxpayers in the District would realize a decrease in their tax bills this year due to a reduction in values. Mr. Rathmann stated that the District has sufficient operating reserves.

Ms. Ellison presented to and reviewed with the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2010, a copy of which is attached hereto as Exhibit "G." Ms. Ellison noted that the Order authorizes the tax assessor's office to publish a notice of the proposed tax rate and a public hearing with respect to the tax rate.

Upon motion by Director Koehn, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to propose a total tax rate of \$0.99 per \$100 assessed valuation, with \$0.63 for debt service, \$0.20 for maintenance and operating expenditures, and \$0.16 for the contract with the developer; to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2010 and to authorize the District's tax assessor collector to publish the proposed tax rate.

11. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Plunkett, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "H." Mr. Plunkett reported that the Texas Commission on Environmental Quality ("TCEQ") inspected the District's Water Plant recently. He reported that there were no issues found during the inspection. Mr. Plunkett reported that the District will increase the bacteriological testing at the Water Plant.

Mr. Plunkett requested Board authorization to replace a chlorine detector at the Wastewater Treatment Plant for a cost of \$2,290.

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 and to approve the chlorine detector replacement at the Wastewater Treatment Plant for a cost of \$2,290.

12. **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 "I."

Mr. Hirshman requested Board approval of Pay Estimate #1 and Final to Jaho, Inc. in the amount of \$43,014.75 for the Wastewater Treatment Plant Driveway. He reported that the contract is approximately \$1,000 over the original contract amount because of material testing and a re-mobilization charge.

Mr. Hirshman reported on the eighth Bond Issuance Application. He reported that DEC is awaiting a response by the TCEQ to DEC's response.

Mr. Hirshman reported on the ninth Bond Issuance Application for Cypress Landing East. He reported that DEC received the documentation from the developer and engineer. Mr. Hirshman reported that DEC is working on the surplus funds request for reimbursement for Cypress Landing West, first phase.

Mr. Hirshman requested Board approval of Pay Estimate #3 to Hi-Tech Electric, Inc. in the amount of \$6,382.71 for the Wastewater Treatment Plant generator installation.

Mr. Hirshman reported that DEC has contacted the Harris County Municipal Utility District No. 391 ("MUD 391") engineer regarding the installation of an additional

interconnect and waterline extension along Mueschke Road.

Mr. Hirshman reported that DEC is preparing the feasibility study for service to Harvest Bible Church. He reported that the interconnect with MUD 391 will impact the feasibility study so the feasibility study will be performed once the potential interconnect plan is determined.

Mr. Hirshman reported that Brown & Gay Engineers, Inc. recommended award of the construction of water, sanitary sewer and storm sewer facilities to serve Cypress Landing East, Section Three and Cypress Landing East, Section Five to the low bidder, Reddico Construction Company, Inc., in the amount of \$471,878.90.

Mr. Hirshman reported that Storm Water Solutions has provided a proposal of \$19,795.00 per year for the maintenance of the Cypress Landing Park detention pond that is west of Mueschke Road. He noted that the District has not inspected the detention pond. It was the consensus of the Board to defer acceptance of the proposal until the detention pond has been inspected and accepted by the District.

Mr. Hirshman requested Board approval of Pay Estimate #1 to Storm Water Solutions in the amount of \$830.00 for the maintenance of the Cypress Landing East detention pond. Mr. Hirshman requested Board approval of Pay Estimate #1 to Storm Water Solutions in the amount of \$994.68 for installation of a security box for the Cypress Mill park control panel.

Mr. Hirshman reported that he arranged for the Cypress Mill detention pond cleaning with Storm Water Solutions discussed at the last Board meeting in response to a resident's email. He reported that the detention pond cleaning will be performed prior to the overseeding proposed for next month.

Mr. Hirshman reported that he left a message with the resident who had requested completion of the Dry Creek drainage ditch mowing. He stated that Harris County Flood Control District ("HCFCD") is responsible for mowing of the ditch and that he gave the resident the name of a HCFCD representative to contact concerning completion of the mowing.

Mr. Hirshman reviewed with the Board the Storm Water Solutions proposal for cleaning of the concrete-lined detention pond behind the Cypress Mill Partners retail development for a cost of \$6,820.00. He reviewed with the Board the Storm Water Solutions proposal for twice annual cleaning of the concrete-lined detention pond behind the Cypress Mill Partners retail development for a cost of \$4,400.00 per year. It was the consensus of the Board to authorize Storm Water Solutions to perform the cleaning for a cost of \$6,820.00 and to review the status of the detention pond in six months.

The President reported that the Shoppes at Fry Road detention pond is holding water. Mr. Hirshman stated that he would contact the engineer for the project regarding the water.

Mr. Hirshman reported that he will attend a meeting with Harris County concerning the condemnation of additional right-of-way along Huffmeister Road adjacent to the Cypress Ridge detention pond for the widening of Huffmeister Road.

Mr. Hirshman reported that Storm Water Solutions has provided stormwater quality permit applications for the Cypress Landing Park detention pond and the Cypress Landing East detention pond. It was the consensus of the Board to authorize the President to execute the stormwater quality permit application for the Cypress Landing East detention pond but to defer execution of the Cypress Landing Park detention permit application until the detention pond is accepted by the District.

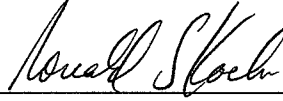
Upon motion by Director Bryant, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Engineer's Report; to approve payment of Pay Estimate #1 and Final to Jaho, Inc. in the amount of \$43,014.75 for the Wastewater Treatment Plant Driveway; to approve payment of Pay Estimate #3 to Hi-Tech Electric, Inc. in the amount of \$6,382.71 for the Wastewater Treatment Plant generator installation; to approve award of the construction of water, sanitary sewer and storm sewer facilities to serve Cypress Landing East, Section Three and Cypress Landing East, Section Five to the low bidder, Reddico Construction Company, Inc., in the amount of \$471,878.90; to approve payment of Pay Estimate #1 to Storm Water Solutions in the amount of \$830.00 for the maintenance of the Cypress Landing East detention pond; to approve payment of Pay Estimate #1 to Storm Water Solutions in the amount of \$994.68 for installation of a security box for the Cypress Mill park control panel; to approve the Storm Water Solutions proposal for cleaning of the concrete-lined detention pond behind Cypress Mill Partners retail development in the amount of \$6,820.00; and to authorize the President to execute the stormwater quality permit application for Cypress Landing East detention pond.

13. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on October 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.

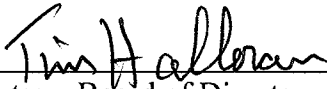
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The foregoing minutes were passed and approved by the Board of Directors on October 15, 2010.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

