

MINUTES
CYPRESS FOREST PUBLIC UTILITY DISTRICT

December 1, 2009

The Board of Directors (the "Board") of Cypress Forest Public Utility District, Harris County, Texas (the "District"), met in regular session, open to the public, on the 1st day of December, 2009, at the office of Allen Boone Humphries Robinson LLP, 3200 Southwest Freeway, Suite 2600, Colorado Conference Room, Houston, TX, 77027, outside the boundaries of the District, and the roll was called of the members of the Board:

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|-----------------------|--------------------------|
| Thomas J. Petrick | President |
| Linn Jensen Smyth | Vice President |
| Fred P. Jones | Secretary |
| Greg DiCioccio | Assistant Secretary |
| Michael J. Lynch, Jr. | Assistant Vice President |

and all of the above were present, thus constituting a quorum.

Also present for all or part of the meeting were the following: Kim Jackson of the *Houston Chronicle*; Kim Shelnett of Myrtle Cruz, Inc.; Esther Flores of Tax Tech, Inc.; Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Gus Gustafson of SouthWest Water Company ("SWWC"); Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, Recording Secretary.

Director Petrick called the meeting to order.

PUBLIC COMMENTS

Director Petrick opened the meeting to receive public comments. Director Smyth read a request on behalf of Nancy Kral, a resident of the District, for the District to forward a letter to express support for renovating Klein High School in its current location and to express opposition to moving the students to another location and using Klein High School for other District purposes. She said that approximately 115 people have executed a petition to express such support. Following review and discussion, the Board concurred to consider forwarding such a letter at next month's meeting.

CONSENT AGENDA:

APPROVE MINUTES

FINANCIAL AND BOOKKEEPING, INCLUDING PAYMENT OF BILLS

TAX ASSESSMENT AND COLLECTION, INCLUDING PAYMENT OF BILLS

ENGINEERING, INCLUDING LONG-TERM MAINTENANCE PLAN

OPERATION OF DISTRICT FACILITIES

Upon a motion made by Director DiCioccio and seconded by Director Lynch, the Board voted unanimously to approve the items on the Consent Agenda. Copies of the bookkeeper's report, tax assessor/collector's report, the engineer's report, and the operator's report are attached.

ADDITIONAL TAX ASSESSMENT COLLECTION ACTION ITEMS

There were no additional tax assessment action items. Ms. Flores reported on additional certified value reported within the District.

HCAD BOARD OF DIRECTORS ELECTION

The Board next considered casting a ballot for the election of a person to the Board of Directors of the Harris County Appraisal District ("HCAD"). Following review and discussion, Director Smyth moved to adopt a Resolution Casting Ballot for the Election of a Person to the Board of Directors of HCAD in favor of Glenn E. Peters. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL FINANCIAL AND BOOKKEEPING ACTION ITEMS

There were no additional financial and bookkeeping action items. Ms. Shelnett stated that a resolution for investment in a Certificate of Deposit with Independence Bank was ready for execution.

TRAVEL REIMBURSEMENT GUIDELINES

The Board next discussed the District's Travel Reimbursement Guidelines and the Directors' attendance at the Association of Water Board Directors winter and summer conferences. Following review and discussion, Director DiCioccio moved to approve payment of two per diems for the winter conference and three per diems for the summer conference. Director Lynch seconded the motion, which was approved by majority vote, with Director Jones opposed.

AUTHORIZE CONSULTANTS TO PREPARE ANNUAL REPORT

Mr. Pagan informed the Board that the District is required to file an Annual Report in accordance with the Continuing Disclosure of Information Agreement and SEC Rule 15c2-12. He stated that certain financial information and operating data is required to be updated annually due to the covenants contained in the bonds issued by the District. After discussion, Director Jones moved to authorize the District's consultants to prepare the Annual Report. Director Smyth seconded the motion, which was approved by unanimous vote.

ADDITIONAL ENGINEERING ACTION ITEMS

Mr. Joubran updated the Board on the District's surface/ground water blending project for water plant nos. 1 and 2. He reported that the contractor has completed the installation inside the plant and is addressing punch list items. He stated that a final inspection will be scheduled after completion of the punch list items. He recommended approval of Pay Estimate No. 4 in the amount of \$15,501.56.

Mr. Joubran and the Board next discussed a date to start delivery of the chloramines-treated ground water to the District's residents, including the estimated date of delivery of surface water to the District and the interconnected districts by the North Harris County Regional Water Authority (the "NHCRWA"), and distribution of a notification of the start date for delivery of chloramines-treated ground water to the District's residents. Following discussion, the Board concurred to consider a delivery start date at next month's meeting, pending review of additional information on the estimated date of delivery of surface water to the interconnected districts.

Mr. Joubran reported that he and Director DiCioccio reviewed the plans for NHCRWA's construction of the surface water line to the District and comments were provided to the consultant in charge of the design, Dannenbaum Engineering Corporation ("DEC"). He recommended issuing a "No Objection" letter to the plans as requested by DEC. He stated that the contract for construction of the surface water line has been awarded but construction will not begin until right-of-way is obtained. He reported that he was told by the Program Manager of the NHCRWA, AECOM, that an offer for a proposed twenty-foot easement was made and rejected by JP Raveneaux Partners LP. Director Smyth noted that five parcels need to be acquired for right-of-way which includes a parcel owned by the District. Following discussion, Director Smyth moved to authorize Pepe Engineering to issue a "No Objection" letter to the plans for the construction of the surface water line to the District and authorize Director Petrick to execute easements to be granted to the NHCRWA for the project. Director DiCioccio seconded the motion, which was approved by unanimous vote.

DRAINAGE DITCH MAINTENANCE AND REPAIR

Mr. Joubran and Director DiCioccio reported on a field inspection of the drainage channel located between Cypresswood Boulevard and Cypress Creek. Mr. Joubran stated that failures were observed at different locations along the channel banks and bottom, and at the upstream side of the metal outfall pipe, that is twisted and bent upwards and not allowing flow out of the channel and into Cypress Creek. Mr. Joubran reported that Pepe Engineering coordinated with Director DiCioccio and SWWC on matters related to the maintenance of the drainage channel. He stated that concerns regarding the failures have been communicated to Sander Engineering, the engineer for Cy-Champ PUD, which owns the sanitary force main and part of the twelve-inch water main that run on either side of the channel. He reported that preliminary discussions have also taken place with NHCRWA's Program Manager, AECOM, regarding the

issue.

Mr. Joubran recommended cutting off the damaged portion of the outfall pipe to resume flow out of the channel as soon as possible. Mr. Gustafson stated that SWWC estimates that the damaged pipe could be removed for approximately \$1,500.00. Mr. Joubran stated that re-establishment of the channel slopes and possible replacement of the outfall pipe will need to be performed to prevent continued erosion. He stated that surveying and the preparation of construction plans for bid is necessary to determine the scope of re-establishment work needed to be performed. He said that it is expected that Cy-Champ PUD will share in a portion of the costs related to their sanitary force main and their portion of the water main. Mr. Joubran and the Board additionally discussed the affect of the NHCRWA's impending construction of the surface water line within a forty-foot easement located next to the channel. Following discussion, Director Smyth moved to authorize SWWC to remove the damaged portion of the outfall pipe in the amount of \$1,500.00 and to authorize Pepe Engineering to perform an initial investigation of a channel slope re-establishment project in the amount of \$5,000.00 for surveying and/or televising of the channel. Director Lynch seconded the motion, which was approved by unanimous vote.

ADDITIONAL DISTRICT FACILITY OPERATIONS ACTION ITEMS

Mr. Gustafson next reported that two automated flushing valves have been installed on the District's dead-end waterlines for the amount of \$1,700.00 and reviewed photographs of the installation. He stated that the operation of the valves will be monitored to evaluate benefits, installation costs, equipment needs, and maintenance procedures and develop a recommendation on the installation and operation of such valves.

Mr. Gustafson reported that the District has sold \$200,000 in water conservation credits and discussed the market for the sale of "A" certificates compared to "B" certificates.

The Board discussed Mr. Gustafson's analysis of the District's fixed and variable costs for the production of water. Mr. Gustafson stated that the analysis will be performed again after surface water is delivered to the District.

CONDUCT HEARING ON TERMINATION OF WATER SERVICE

The Board next conducted a hearing on the termination of water service. Mr. Gustafson reported that the District had a higher number of insufficient checks last month with seven such checks. He reviewed two accounts requiring additional investigation and a third account which has been offered a payment plan. He reported that the remaining customers included on the termination list attached to the operator's report were delinquent by more than 50 days and had been given written notice 10 days prior to this meeting of the opportunity to appear before the Board of Directors to

explain, contest, or declare why the utility service should not be terminated for reason of nonpayment. Following discussion, Director Jones moved that since the residents were neither present at the meeting nor had presented any written statement on the matter, the utility service to those residents be terminated in accordance with the District's Rate Order, with the exception of the three delinquent accounts discussed per Mr. Gustafson's recommendation. Director Lynch seconded the motion, which was approved by unanimous vote.

CONTRACT AND RATE ORDER AMENDMENT

Mr. Gustafson stated that SWWC is requesting approval of an Addendum to the Operator's Contract with the District to include costs for the implementation of the District's Identity Theft Prevention Program. He reviewed the implementation costs. The Board then discussed an amendment to the District's Rate Order to add \$5.00 to the District's current transfer fee to cover costs associated with implementation of the Identity Theft Prevention Program. Following review and discussion, Director Jones moved to approve the Addendum to the Operator's Contract with the District, adopt the Amended Rate Order, and direct that the addendum and order be filed appropriately and retained in the District's official records. Director Lynch seconded the motion, which passed by unanimous vote.

RAVENEAX TRACT DEVELOPMENT, AMENDMENT TO AGREEMENT

The Board next discussed the District's Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Agreement"). Mr. Pagan noted that the Fourth Amendment to the Raveneaux Redevelopment Agreement which includes an extension of the date by which the District or the Developer may terminate the Agreement from November 30, 2009, per the Third Amendment to the Agreement, to December 31, 2009, has been fully executed. He said that the next activity related to the amendment is delivery to an escrow agent by December 15, 2009, of all documents required to be signed and delivered by the Developer and its lender at the March 31, 2010, closing, including all required lien releases signed by the Developer's lender, all fully executed and where required, notarized. He discussed designation of a Title Company for the closing and a request by the developers to annex the tract at closing. Director Smyth stated that she and Director Petrick will continue to meet with the JP Raveneaux Partners LP and Kera Development LP. Following discussion, the Board concurred to schedule a special meeting on December 15, 2009, to discuss the status of the Agreement.

PRELIMINARY OFFICIAL STATEMENT AND OFFICIAL NOTICE OF SALE

The Board concurred to table consideration of the preparation of the Preliminary Official Statement and Official Notice of Sale for the District's proposed Bond issue.

PUBLIC COMMUNICATIONS

There was no discussion on public communications activities.

WATER CONSERVATION PILOT PROJECT

There was no discussion on activities related to the water conservation pilot project.

MATTERS RELATED TO NHCRWA

There was no discussion on matters related to the North Harris County Regional Water Authority (the "NHCRWA").

KLEINWOOD REGIONAL WASTEWATER TREATMENT PLANT

There was no discussion on the monthly meeting of the Joint Powers Board, and operations and maintenance of the Kleinwood Regional Wastewater Treatment Plant ("KRWTP").

MATTERS RELATED TO HOMEOWNERS ASSOCIATIONS

There was no discussion regarding matters related to the Homeowners Association.

MEETING SCHEDULE AND AGENDA

The Board next discussed their meeting schedule and items for inclusion on the agenda.

CONVENE IN EXECUTIVE SESSION, RECONVENE IN OPEN SESSION

The Board did not convene in executive session pursuant to Sections 551.072, 551.087, and 551.071 of the Texas Government Code to discuss and consider the acquisition of real property, the terms and conditions of an economic development package, and consultation with attorney about pending or contemplated litigation. Mr. Pagan reported that the District's attorney in the federal case received notice that Kleinwood MUD's attorney will forward the amount of \$12,043.16 as payment to satisfy the attorney's fee order in the District's favor in the federal case.

There being no other matters to come before the Board, the meeting was adjourned.

(SEAL)



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Secretary, Board of Directors

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