

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
July 16, 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 July 16, 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. Rhonda Rushton 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. Jimmy Pappas of Corinthian Development, developer of land in the District; Mr. Allen Schubert and Ms. Heidi Stephenson of Cymill Partners, developers of land in the District; Mr. Jim Moore of First General Realty; Mr. Ryan Niles and Ms. Shannon Wiesepape of Pulte Group, developers of land in the District; Ms. Stephanie Lee of KGA Deforest Design; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer 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 June 25, 2010.** The proposed minutes of the meeting of June 25, 2010, previously distributed to the Board, were presented for review and approval. 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 minutes of June 25, 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 a resident emailed regarding restoration of her sod after Eagle Water extended a water line across the street. Director Bryant reported that he went by the residence and that sod has been installed.

Director Bryant reported that a resident emailed regarding District bushes behind her fence that are beginning to push on her fence. He reported that Greenpros has been contacted to trim the bushes.

Director Bryant reported that two residents emailed regarding billing issues which were forwarded to Eagle Water for management.

3. **Security report and any necessary action.** The President recognized Director Henry, who presented to and reviewed with the Board the Security Report for the month of June, a copy of which is attached hereto as Exhibit "B." Director Henry reported that Sergeant Blackledge has not received the letter from the Harris County Fire Marshal regarding sharing of the constable space.

Director Henry reported that the invitations have been sent and arrangements have been made for the Constable Workspace Open House on July 20, 2010 between 5:00 and 7:00 p.m.

Director Bryant reported that he has not seen the bicycle patrol lately and asked if they are still patrolling. Director Henry confirmed that the deputies are still patrolling on bicycles.

4. **Developer's Report, reimbursement issues and any necessary action.** The President recognized Mr. Pappas, who reported that due diligence is proceeding for the medical building next to CVS Pharmacy. Mr. Pappas reported that he is not sure why Kentucky Fried Chicken has not begun construction. He reported that The Shoppes at Fry Road is 85% leased.

Ms. Wiesepape reported that Cypress Landing East, Sections Three and Four are nearly complete with the contractor paving in Cypress Landing East, Section Three. She reported that seven homes were sold in June in Cypress Landing East.

Mr. Schubert reported that the AT&T building is expected to be complete in three weeks. He reported that Smashburger is slated to open by October 1, 2010.

Mr. Moore reported that First General Realty is scheduled to purchase the Kimball Hill Homes land and lots in Cypress Landing Place the first week of August. Mr. Moore reported that he met with Harris County Municipal Utility District No. 391 regarding the lift station drainage issue, a solution has been agreed upon and the repair will be coordinated among the parties.

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 photographs showing progress on the Cypress-Rosehill Beautification project. A copy of the photographs is attached hereto as Exhibit "C."

Ms. Lee presented to and reviewed with the Board Change Order #1 for the Cypress-Rosehill Road Landscape Development with Allgreen Associates, a copy of which is attached hereto as Exhibit "D." Ms. Lee reported that Change Order #1 is to redirect irrigation lines to separate water meters. She stated that the net change amount is \$3,164.21.

Ms. Lee reported that Fencecrete will have two crews working next week and is expected to be to the wastewater treatment plant by next Friday. She reported that the gate for the wastewater treatment plant will be fabricated after the driveway project is complete.

Ms. Lee reported that there will be steps in the fence height from time to time to accommodate the slope changes. She reported that the fence will appear uneven during the installation process because during the initial phases of precast concrete fence construction the panels are inserted into the posts and then are leveled as a separate process. Ms. Lee reported that the fence panels will be level and secure upon completion.

**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. Rushton, 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. Rushton noted that 98% of the District's 2009 taxes had been collected as of June 30, 2010.

Ms. Rushton stated that she would have Ms. Bryant report her findings on the Bethesda Lutheran Homes & Services, Inc. accounts on the Unpaid Accounts Tax Roll at the next Board 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.

**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 "F." Ms. Austin reported that checks for Pay Estimate No. 2 to Allgreen Associates in the amount of \$75,303.00 and Pay Estimate No. 1 to Fencecrete America, Inc. in the amount of \$22,150.00 for the Cypress-Rosehill Beautification Project are 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 and to authorize payment of the checks listed therein.

**10. 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 "G." Mr. Riley presented to the Board North Harris County Regional Water Authority ("NHCRWA") water

conservation flyers. He reported that the NHCRWA is offering the flyers for free to districts that order them. Mr. Riley asked the Board if it wanted to order the flyers and include them with the water bills.

Mr. Riley reported that Wastewater Treatment Plant aeration basin clean out is complete and the basin is now operating well. He reported that the Wastewater Treatment Plant driveway project has not begun.

Upon review of the Disconnection List, Mr. Riley reported that the high balances are because of high water usage.

Mr. Riley reported that he met with the Texas State Energy Conservation Office ("SECO") representative regarding the electricity usage at the District's facilities. He reported that the SECO representative will prepare a summary of findings and recommendations on methods to reduce energy consumption at the District's facilities.

Mr. Riley reported that a clean out of the Wastewater Treatment Plant digesters, similar to the clean out of the aeration basin, would be beneficial to the equipment and operation. He stated that Eagle Water will add the digester clean-out to the maintenance list for the fall.

Mr. Riley reported that Eagle Water will replace the fire hydrant by the Walgreen's driveway underground vault next week.

Mr. Riley reported that Eagle Water is installing taps in Cypress Landing East. He reported that the Texas Commission on Environmental Quality ("TCEQ") inspected Cypress Landing East, Section 3A this week.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order and to authorize Eagle Water to order and distribute the water conservation flyers from the NHCRWA.

**11. 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 "H." Mr. Hirshman reported that DEC is awaiting a response by the TCEQ to DEC's response to the Notice of Deficiency for the eighth Bond Issuance Application.

Mr. Hirshman reported that DEC is coordinating preparation of the ninth Bond Issuance Application for Cypress Landing East. He reported that DEC is awaiting documentation from the developer and engineer.

Mr. Hirshman requested Board approval of payment by Centex Homes of Pay Estimate #3 to Metro City Construction, LP in the amount of \$49,426.36 for the Cypress Landing East, Lift Station #2.

Mr. Hirshman reported on the Wastewater Treatment Plant Generator Installation. He reported that the contractor is working on the electrical components for completion of the installation. Director Bryant reported that the exhaust was not hooked up and that the generator has been delivered. The Board instructed Mr. Hirshman to inform the contractor to complete the generator installation as soon as possible.

Mr. Hirshman reported that DEC reviewed the construction plans for an auto repair shop on Mueschke Road that will drain into the outfall ditch serving Cypress Landing, to confirm only acceptable material will be flowing into the outfall.

Mr. Hirshman reported that the Houston Parks Board has requested the District complete a survey of parks in the District. He asked the Board whether it wanted DEC to complete the survey. It was the consensus of the Board to direct DEC and Ms. Lee coordinate completion of the survey.

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 Engineer's Report; to approve payment by Centex Homes of Pay Estimate #3 to Metro City Construction, LP in the amount of \$49,426.36 for the Cypress Landing East, Lift Station #2 and to authorize DEC and Ms. Lee to complete the Houston Parks Board survey.

12. **Consideration of Illegal Drain.** The Board discussed the fact that the unauthorized drainage pipes draining into the District's Cypress Ridge Detention Pond belong to the home at 15720 Stone Oak Estates Court. The Board instructed Mr. Riley to remove the drainage pipes on the District's property and plug the pipes, as stated in the letter provided to the homeowner. The Board asked that Mr. Riley create a separate invoice for the work as the costs will be charged to the resident.

13. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on August 20, 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 August 20, 2010.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

