

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
April 16, 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 April 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, except Director Bryant. 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; Mr. Jimmy Pappas of Corinthian Development, developer of land in the District; Mr. Nick Luton of Centex Homes, developer of land in the District; Mr. Brian Jarrard of Cymill Partners, developer of land in the District; Mr. Jim Moore of First General Realty; Mr. Robert DeForest of KGA Deforest Design; Mr. Steve Sheldon 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 March 19, 2010.** The proposed minutes of the meeting of March 19, 2010, previously distributed to the Board, were presented for review and approval. Upon motion by Director Henry, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of March 19, 2010, as presented.
2. **Public Comments and letters from residents.** There were no public comments.

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 March and Extra Patrol Stats, a copy of which is attached hereto as Exhibit "B."

Director Henry requested Board authorization to send a demand letter to the deputy who was previously assigned to the District's contract who has failed to return the District's fingerprint kit.

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 approve the Security Report and to authorize F&J to send a letter to the deputy requesting return of the fingerprint kit.

4. **Developer's Report, reimbursement issues and any necessary action.** The President recognized Mr. Pappas, who reported that 80% of the Fry Road Shoppes speculative space is leased. He stated that the Kentucky Fried Chicken sale has closed. Mr. Pappas reported that all required documentation for the bond application has been provided to DEC.

Mr. Luton reported that ten homes sold in March in Cypress Landing East. He reported that the paving contractor is expected to be done soon in Cypress Landing East, Section Four.

Mr. Jarrard reported that bids were received for the AT&T building construction, which is expected to begin soon. He reported that Smashburger will be leasing the remaining space in the 2,400 square foot building.

Mr. Moore reported that First General Realty Company has a contract to purchase the Kimball Hill Homes land and lots and is in its due diligence phase. Mr. Moore stated that he will be requesting Board approval of the assignment of the Kimball Hill Homes receivables to First General Company in the future.

5. **Consider Cypress-Rosehill Beautification Project Proposal and any necessary action.** The President recognized Mr. DeForest, who reported that the brick delivery for the Water Plant No. 2 fence replacement is expected on April 26, 2010. He stated that the pre-construction meeting will occur around that date.

Mr. DeForest reported on the progress of the Cypress-Rosehill Beautification project. He reported that the bids for the construction of a pre-cast concrete fence will be opened on May 6, 2010. Mr. DeForest reported that the bids for construction of sidewalks, irrigation, planting, fine grading and hydromulch will be opened on May 6, 2010.

6. **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.

7. **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 "C." Ms. Bryant noted that 96% of the District's 2009 taxes had been collected as of March 31, 2010.

Ms. Bryant presented to and reviewed with the Board a customer request for waiver of penalty and interest because the resident did not receive the tax statement. Ms. Bryant reported that the original tax bill was mailed to Amegy Bank in accordance with the bank's request. She reported that the tax bill was mailed to the property address in January because it was unpaid. Ms. Bryant reported that a delinquent statement was mailed to the property address in February. It was the consensus of the Board not to waive the penalty and interest because the District is not permitted to waive the penalty and interest under Texas law unless either the District or the appraisal district failed to send notice as required.

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 Tax Assessor-Collector's Report, to authorize the expenditures listed therein, and to deny Ms. Sadiku's request for waiver of the penalty and interest on the delinquent taxes.

**8. 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 "D." Ms. Austin reported that options to purchase Certificates of Deposit for investment of District funds are limited at this time because the banks are not accepting new deposits over the Federal Deposit Insurance Corporation limit of \$250,000. The Board instructed Ms. Austin to continue her efforts to provide diversification of District fund investments.

Upon motion by Director Templeton, 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, to authorize payment of the checks listed therein, and to authorize the investment of a portion of the District funds in money market accounts or Certificates of Deposit as appropriate.

**9. 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 "E." Mr. Riley reported that the generator installation work at the Wastewater Treatment Plant has begun.

Upon review of the Disconnect List, Mr. Riley reported that the balance of \$534.36 for account #100520 is an error and the account will not be disconnected. He reported that the meter reading was incorrect at 105,000 gallons of water. Mr. Riley stated that a credit will be issued to the customer's account and a correction bill will be sent to the customer.

Mr. Riley reported that he met with the President at lift station #6 on Mueschke Road to inspect the available parking space. He reported that there is insufficient space for a pickup truck to park at lift station #6 on Mueschke Road because of the recent road widening. He recommended the installation of a sliding gate to the lift station site to be controlled with a remote control. Mr. Riley requested Board approval of the Tejas Fence & Iron Works, Inc.

proposal for the installation of a sliding gate and three foot walk gate in the amount of \$7,900.00. Upon motion by Director Henry, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Tejas Fence & Iron Works, Inc. proposal for the installation of a sliding gate and three foot walk gate in the amount of \$7,900.00.

Director Henry reported that there is graffiti at the Wastewater Treatment Plant between the gate and the ditch. Director Henry stated that he notified Sergeant Blackledge of the graffiti. The Board requested that Eagle Water paint over the graffiti.

Mr. Riley stated that Jaho, Inc. has not begun the Wastewater Treatment Plant Driveway project.

Mr. Riley reported that BKD, L.L.P., the District auditor, asked why Eagle Water was not charging a 10% penalty on the entire water bill. He reported that Eagle Water currently does not include the North Harris County Regional Water Authority fee in the 10% penalty calculation. It was the consensus of the Board to include the North Harris County Regional Water Authority fee in the 10% late fee calculation.

Upon motion by Director Henry, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

**10. Order Authorizing Application for Release of Escrowed and Surplus Funds.** The President recognized Ms. Ellison, who presented to and reviewed with the Board the Order Authorizing the Application ("Order") and the Application for Approval by the Texas Commission on Environmental Quality for Release of Escrowed Funds and Use of Surplus Funds for Sydney Harbour Detention Pond ("Application"), a copy of which is attached hereto as Exhibit "F." Ms. Ellison stated that the Order and Application are for the release of \$72,293 in escrowed funds for the Sydney Harbour detention pond land cost interest, plus surplus funds to reimburse Sydney Harbour Interests any remaining detention pond costs. Upon motion by Director Templeton, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Order and Application.

**11. GIS Presentation and any necessary action.** No action was taken on this item.

**12. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, damage claims.** The President recognized Mr. Sheldon, who presented to and reviewed with the Board the Engineer's Report, a copy of which is attached hereto as Exhibit "G."

Mr. Sheldon reported that the wastewater treatment plant driveway contractor is coordinating work with the generator installation contractor.

Mr. Sheldon requested Board approval of payment by Centex Homes of Pay Estimate #1 to Metro City Construction, L.P. in the amount of \$101,661.95 for the Cypress Landing East Lift Station No. 2. Mr. Sheldon requested Board approval of Change Order No. 1

in the amount of \$33,946.45, of which \$9,000.00 was denied for future reimbursement, for excavation, undercut fill and spread on lots in Cypress Landing East, Section Three, Phase One and Section Four.

Mr. Sheldon reported that DEC has discussed development and approvals with First General Realty Company, which is purchasing the Kimball Hill Homes property in the District.

Mr. Sheldon reported that the contractor is awaiting delivery of the generator to proceed with the generator installation at the wastewater treatment plant.

Mr. Sheldon reported that the cost estimate of the interconnect and waterline extension along Mueschke Road to connect to Harris County Municipal Utility District No. 391 is on hold until completion of construction of a new subdivision south of Cypress Landing West.

Mr. Sheldon reported that DEC is coordinating with the Centex Homes engineer to correct a drainage issue at Lift Station #1 in Cypress Landing East.

Mr. Sheldon reported that the Cypress Lakes Golf Course contacted DEC regarding use of the District's effluent to water the golf course. He reported that the golf course superintendent was told to submit a request to the District and that the golf course would be responsible for all costs for construction of a lift station and force main to transport the effluent to the golf course's pond.

Mr. Sheldon reported that DEC has submitted a request to the Harris County Flood Control District for the clean out of the ditch behind Bladenboro Drive.

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 Engineer's Report; to approve payment by Centex Homes of Pay Estimate #1 to Metro City Construction, L.P. in the amount of \$101,661.95 for the Cypress Landing East Lift Station No. 2; and to approve Change Order No. 1 in the amount of \$33,946.45, of which \$9,000.00 was denied for future reimbursement, for excavation, undercut fill and spread on lots in Cypress Landing East, Section Three, Phase One and Section Four.

13. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on May 21, 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 May 21, 2010.

*Ronald S. Koch*

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President, Board of Directors

ATTEST:

*Tim Halloran*

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Secretary, Board of Directors

(DISTRICT SEAL)

