

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 15, 2006

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 14710 Mills Park Lane, Cypress, Texas, on September 15, 2006, 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  
Alex Handley, Treasurer  
Tim Halloran, Secretary  
Jerry Bryant, Assistant Secretary

All members of the Board were present, except Director Henry. Also attending all or portions of the meeting were Mr. Skip Standley of District Data Services, Inc., bookkeeper for the District; Mr. John Brock of AquaServices L.P., operator for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Tommy Lee of Assessments of the Southwest, tax assessor-collector for the District; Mr. Jim Holcomb and Mr. Brian Gerrard of Cymill Partners, developer of land within the District; Mr. Chad Harkin of Kimball Hill Homes, developer of land within the District; Mr. Jim Pappas of Corinthian Fry Road Investors, developer of land; Deputy James Blackledge and Deputy Mike Combest, deputies for the District; Ms. Shirley Whitley and Ms. Amy Merrill, residents of the District; and Mr. Oliver Pennington 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 the 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.** The proposed minutes of the meeting of September 7, 2006, previously distributed to the Board, were presented for review and approval. Upon motion by Director Handley, seconded by Director Halloran, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of September 7, 2006.

2. **Public Comments and letters from residents.** The President recognized Ms. Whitley, who stated that when she attended the Board meeting in the spring she was informed that the tax exemptions were set in the fall. Mr. Lee reported that the tax exemptions were set in the first quarter of the year. He stated that currently there is an exemption of \$20,000

