

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
February 16, 2007

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 February 16, 2007, 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 Koehn. Also attending all or portions of the meeting were Ms. Wendy Austin 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; Ms. Delia Yanez of Assessments of the Southwest, tax assessor-collector for the District; Mr. Allen Schubert of Cymill Partners, developer of land within the District; Mr. Chad Harkin of Kimball Hill Homes, developer of land within the District; Mr. Beto Bautista of Centex Homes, developer of land within the District; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land; Mr. Don Staas and Ms. Dorothy Staas, residents of the District; and Mr. Oliver Pennington, Mr. Steve Carroll, Ms. Mindy Harper, 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 January 19, 2007, previously distributed to the Board, were presented for review and approval. Upon motion by Director Bryant, seconded by Director Handley, after full discussion and the question being put to the Board, the Board voted unanimously to approve the minutes of January 19, 2007, as revised.

2. **Public Comments and letters from residents.** Mr. Staas asked to be provided the most current financial reports for the District. The Board discussed with Mr. Staas the District's current debt and tax base, and plans for the future tax rate and tax exemptions.

3. **Update on purchase of property for off-site rights of way and take any necessary action.** The Vice President recognized Mr. Carroll, who reported that Mr. and Mrs. Domingues has filed a standard objection of the court-ordered settlement for the waterline easement and stated that the District does have the right of possession.

Mr. Carroll reported that there remains one waterline construction easement to be obtained from Mr. and Mrs. Drews. He stated that Mr. Hirshman and Mr. Wamhoff met with the Drews on February 8, 2007. He reviewed a list of requests by the Drews. Mr. Hirshman stated that Mr. Wamhoff and he agreed to the staking of the western property line and the installation of a flushing valve at the corner of the Adams' tract. Mr. Carroll stated that he provided a draft easement with the property staking and flushing valve. The Drews' attorney's revisions of the easement are not acceptable to the District. Ms. Harper reviewed with the Board the attempts to serve the Drews. She stated that the Drews' attorney instructed the Drews not to avoid service, yet the process server has not been successful. Ms. Harper reported that the District would proceed with substituted service because it appears that the Drews are attempting to avoid service. Mr. Carroll stated that the hearing on the easement should occur in early March.

Upon motion by Director Henry, seconded by Director Handley, after full discussion and the question being put to the Board, the Board voted unanimously to approve of the addition of the installation of the flushing valve across the road from the Drews' tract and the installation of staking/flagging along the western property line of the Drews' tract, with no duty to maintain, in the easement agreement.

4. **Security report and any necessary action.** Director Handley reviewed the provided Security Report with the Board, a copy of which is attached hereto as Exhibit "B." Director Handley reported that traffic tickets and thefts have increased. He stated that thefts have increased due to Wal-Mart having two loss prevention officers. Upon motion by Director Bryant, seconded by Director Handley, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Security Report.

The Board discussed notification of the Board meeting in the District in March and asked Mr. Brock to put the meeting details on the water bills.

5. **Developers' Report and reimbursement issues.** Mr. Bautista reported that the utilities construction is completed for two sections in Cypress Landing. He stated that the paving will begin soon.

Mr. Hirshman presented to and reviewed with the Board a letter from R. G. Miller regarding Cypress Landing Construction, a copy of which is attached hereto as Exhibit "C." Mr. Hirshman stated that he recalls the drainage easement as being public. Mr. Carroll stated that he also thought it was a public drainage easement. Mr. Carroll stated that he would contact the attorney for Harris County Municipal Utility District No. 391. Mr. Hirshman stated that he was going to leave the management of this letter to the design engineer. Mr. Bautista stated he has contacted the contractor regarding the access and staging area location and that he will follow-up on the letter.

Mr. Pappas presented to and reviewed with the Board the Land Plan for his tract, a copy of which is attached hereto as Exhibit "D." Mr. Pappas reported that he has CVS for the hard corner and IHOP is under contract for Parcel D. He stated that 60-70% of his retail space is under letter of intent. Mr. Pappas reported that he is advertising for bids for the lift station and offsite force main, and the onsite utilities, which are to be opened at DEC.

Mr. Schubert reported that work is proceeding for the professional building, which will be bid next week. He stated that he is working with the residents on the easements for the two inch force main.

Mr. Harkin reported that the contractor will begin the utilities construction for Cypress Landing Park, Section One, in early March. He stated that the lift station construction is progressing. Mr. Harkin requested Board approval of additional easements that have yet to be drafted contingent upon the approval of Mr. Hirshman. 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 additional easements with Kimball Hill Homes contingent upon approval by DEC and F&J.

6. Consider Corinthian Fry Road Investors petition for annexation and submission to the City of Houston. No action was taken on this item.

7. Recreational Facilities Planning/Harris County Flood Control District Partnership. Director Handley presented to and reviewed with the Board three proposals by GreenPros, copies of which are attached hereto as Exhibit "E." Director Handley reported that GreenPros quoted a price of \$1,710 for the clean up and mowing of the easement along Mills Park. He stated that he noticed standing water in the park at Moss Valley and Cypress Stone. He stated that the standing water is from a low area in the landscape, not a leak. Director Handley reported that GreenPros quoted a price of \$1,228 to add sand and topsoil, and 100 yards of sod. Director Handley stated that GreenPros quoted a price of \$1,620 for landscaping at the new sidewalk area off Cypress Orchard and Heathcrest, which is to include three live oaks and one wax myrtle. Director Handley reported that the irrigation system has been inspected and necessary repairs have been performed. 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 three proposals by GreenPros for the easement clean up for \$1,710, the topsoil and sod for \$1,228, and the landscaping at Cypress Orchard and Heathcrest for \$1,620.

8. Approve Bid for Easement Maintenance. This item was covered under Recreational Facilities Planning.

9. Tax Assessor-Collector's Report and payment of bills. The Vice President recognized Ms. Yanez, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "F." Ms. Yanez noted that 86% of the District's 2006 taxes have been collected as of January 31, 2007.

Director Handley asked the Board to consider supporting the proposed legislation to cap appraisal increases.

Ms. Yanez reported that the delinquent statements were sent.

Mr. Pennington stated that he would contact Mr. Rathmann to calculate the impact of tax exemptions before the next Board meeting.

Upon motion by Director Handley, seconded by Director Bryant, 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 approve the support of the proposed legislation to cap appraisal increases.

10. **Bookkeeper's Report, and payment of bills.** The Vice 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 "G."

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 accept the Bookkeeper's Report, and to authorize payment of the checks listed therein.

11. **Adopt Budget for Fiscal Year Ending February 28, 2008.** The Vice President recognized Ms. Austin, who presented to and reviewed with the Board the proposed budget for fiscal year ending February 28, 2008, included in the Bookkeeper's Report. The Board discussed the line item titled Recreational Facilities and determined it should be Park & Recreational Maintenance. Director Handley recommended a budget of \$10,000 for Park & Recreational Maintenance. Upon motion by Director Handley, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the budget for fiscal year ending February 28, 2008, as amended.

12. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The Vice President recognized Mr. Brock, who presented to and reviewed with the Board the Operator's Report, a copy of which is attached hereto as Exhibit "H." Mr. Brock reported that twenty-two customers had service terminated last month for non-payment.

Mr. Brock reported that the insurance paid \$4,450 for the blower repair.

Mr. Brock reported that Aqua Services is working with an electrical engineer to resolve the electrical issues at the Wastewater Treatment Plant. He stated that one blower was sent back to the manufacturer.

Upon motion by Director Handley, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operator's Report, and to terminate those accounts listed on the delinquent list.

13. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses.** The Vice 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 reported that he has sent the bid information to the collection

attorney. He stated that the sewer line repair has been completed and that he will provide the collection attorney the pay estimates and supporting documentation on the damage and repair.

Mr. Hirshman reported that he has reviewed the 100% plans for the widening of Cypress Rosehill. He stated that construction is scheduled to begin in the second quarter of 2007. He reported that he has sent the engineer the plans for relocation of the eight inch force main to hang from the bridge.

Mr. Hirshman reported that Kimball Hill Homes has requested Board approval for the engineer to begin design of Cypress Landing Park, Sections Three, Four, and Five. He recommended approval of Pay Estimate Nos. 1 & 2 to SLC Construction in the amount of \$970,584.07 and \$105,397.04, respectively, for the Water, Sanitary Sewer, and Drainage and Detention Pond for Cypress Landing, Sections One and Two. Mr. Hirshman recommended approval of Pay Estimate No. 1 to Conn's Construction, Inc. in the amount of \$72,270.00 for the Lift Station for Cypress Landing. He recommended approval of Pay Estimate Nos. 1 & 2 to B & D Construction in the amounts of \$67,523.11 and \$138,245.78, respectively, for the Offsite Drainage Channel. Mr. Hirshman recommended approval of a request by SBC for a 20' x 20' easement in the southwest corner of the detention pond site on the west side of Mueschke Road.

Mr. Hirshman reported that DEC is working on the new sewer flows for the expansion of the sanitary sewer treatment plant and on the letter to the TCEQ requesting 280 gallons per connection rate as previously approved.

Mr. Hirshman reported that DEC has completed the field work and model for the elevated storage tank variance request. He stated that the final submittal would be at the end of February.

Mr. Hirshman reported that DEC is preparing the design for the generator at Water Plant No. One and the lift station controls for the generator hookups. He reported that the plans are at Harris County for final signatures. He stated that DEC will begin advertising and bidding the project.

Mr. Hirshman recommended approval of Pay Estimate No. 1 to Insituform in the amount of \$30,600.00 for the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road.

Upon motion by Director Handley, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Engineer's Report; to approve Kimball Hill Homes engineer to design Cypress Landing Park, Sections Three, Four and Five; to approve Pay Estimate Nos. 1 & 2 to SLC Construction in the amount of \$970,584.07 and \$105,397.04, respectively, for the Water, Sanitary Sewer, and Drainage and Detention Pond for Cypress Landing, Sections One and Two; to approve Pay Estimate No. 1 to Conn's Construction, Inc. in the amount of \$72,270.00 for the Lift Station for Cypress Landing; to approve Pay Estimate Nos. 1 & 2 to B & D Construction in the amounts of \$67,523.11 and \$138,245.78, respectively, for the Offsite Drainage Channel; to approve the 20' x 20' easement in the southwest corner of the detention pond site on the west side of Mueschke Road for SBC; and to approve Pay Estimate No. 1 to Insituform in the amount of \$30,600.00 for

the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road.

14. **Update on collection attorney to collect from Centerpoint Energy.** This item was covered under the Engineer's Report.

15. **Attorney's Report.** There was nothing to report on this item.

16. **Report on Association of Water Board Directors Conference.** The Board reported that the seminars were informative. Mr. Pennington reported that the Association of Water Board Directors is concerned with legislation to cap total valuation increases.

17. **Consider announcement of closed meeting for consideration of purchase of real property pursuant to Section 551.072 of the Texas Government Code.** No action was taken on this item.

18. **Other matters.** No other matters were discussed.

19. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on March 16, 2007, 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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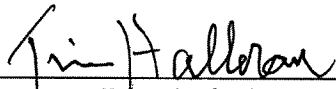
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The attached and foregoing minutes were passed and approved by the Board of Directors on March 16, 2007.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

