

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
April 20, 2007

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 20, 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. 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; Mr. Tommy Lee of Assessments of the Southwest, tax assessor-collector for the District; Mr. Craig Rathmann of Rathmann & Associates, financial advisor to the District; Mr. Bill Hixon 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. Greg Pappas of Corinthian Fry Road Investors and Mr. Mark Janzer of LJA Engineering and Surveying, Inc., developer of land; Mr. Dennis Livotto and Ms. Cathy Pendling of Academy Development; 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 meetings of March 16, 2007 and March 22, 2007, previously distributed to the Board, were presented for review and approval. 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 minutes of March 16, 2007 and March 22, 2007, as presented.

2. **Public Comments and letters from residents.** The Board discussed the timing of the next meeting in the District. It was the consensus of the Board to have a special

meeting in the District in September. Director Handley stated that he would notify the Homeowners Association of the tentative meeting.

3. **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." He noted that automobile burglaries have increased and that a majority of them are occurring in Cypress Ridge and Cypress Mill Estates. Director Handley reported that the deputies are currently working on this problem.

Mr. Pennington stated that as the District is paying approximately \$250,000 for the deputies, it would be best to achieve optimal efficiency and effectiveness of their efforts. He asked the Board for authorization to consult with the chief of security for his subdivision to determine if the implementation of more structure in the security in the District will provide greater results. 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 authorize Mr. Pennington to discuss the District's security with the security officer for recommendations.

4. **Engineer's Report and any necessary action regarding construction projects, detention pond maintenance and reimbursement expenses.** 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 "C." Mr. Hirshman reported that the check to Insituform in the amount of \$3,400.00 may be released as he has received the final report for the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road.

Mr. Hirshman reported that the plans have been approved for the widening of Cypress Rosehill and that Binkley & Barfield are now preparing to bid the project. He stated that the District's work will be bid as alternate bid items as part of the project. Mr. Hirshman stated that the District will be sent the invoice for the items done for the District. The Board discussed the right to not approve the bids. Mr. Pennington discussed the possibility of having a contract to limit the amount the District will pay for these items.

Mr. Hirshman reported that the prebid for 12" offsite waterline, phase two, was held on March 29, 2007, and that the contractor should be moving on site within the next few weeks.

Mr. Hirshman reported that the Cypress Landing Park engineer has discussed the original bid with the low bidder for the water, sanitary sewer and drainage facilities for Cypress Landing Park, Section Two, and the low bidder has agreed to the same prices even though the bid prices had expired. He requested award of the contract to Terbo Construction in the amount of \$315,513.22.

Mr. Hirshman recommended approval of Pay Estimate No. 4 to SLC Construction in the amount of \$73,100.57 for the water, sanitary sewer and drainage to serve Cypress Landing, Sections One and Two. Mr. Hirshman recommended approval of Pay Estimate No. 3 to Conn's Construction, Inc. in the amount of \$24,444.00 for the Lift Station for Cypress Landing. He recommended approval of Pay Estimate No. 4 to B & D Construction in the amount of \$98,030.42 for the Offsite Drainage Channel.

Mr. Hirshman reported that DEC continues work on the new sewer flows for the wastewater treatment plant expansion and the letter to the TCEQ requesting 280 gallons per connection rate. He stated that he is talking to nearby developers to determine future capacity requirements.

Mr. Hirshman reported that the study for the elevated storage tank variance request is complete and that the request will be submitted.

Mr. Hirshman reported that bids were received for the generator at Water Plant No. One and the lift station controls for the generator hookups. He stated that C. F. McDonald was the low bidder at \$434,469.00 and recommended award to C. F. McDonald. Mr. Hirshman reviewed the alternate bid item for the portable generator and stated that every generator is required to have a sound enclosure. He stated that the portable generator has weather proofing, so it may stay outside. Mr. Hirshman reviewed the cost of reserving a generator for rental during storms. Mr. Hirshman reported that the generator at Water Plant No. 1 will have a 2,200 gallon fuel tank and that Mr. Brock will need a permit for a fuel tank of that size. The Board discussed the options and approved of the project, including Sections B and C1.

Mr. Hirshman presented for payment the invoice in the amount of \$2,968.65, from Storm Water Solutions for the pump replacement at Cypress Mill Estates pond.

Mr. Hirshman reported that Storm Water Solutions completed the clean out of the pond at the commercial development and presented for payment the invoice in the amount of \$10,560.00.

Mr. Hirshman recommended award of the water and sanitary sewer facilities to serve The Shoppes at Fry Road to the low bidder, Big State Excavation, Inc., in the amount of \$482,055.40.

Mr. Hirshman presented the proposal by Storm Water Solutions for treatment of fire ants around the District's detention pond in the amount of \$2,449.00.

Upon motion by Director Handley, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Engineer's Report; to approve release of the check to Insituform in the amount of \$3,400.00 for the CIPP Sanitary Sewer Lining project along Cypress Rose Hill Road; to approve award of the contract for the water, sanitary sewer and drainage facilities for Cypress Landing Park, Section Two, to Terbo Construction in the amount of \$315,513.22; to approve Pay Estimate No. 4 to SLC Construction in the amount of \$73,100.57 for the water, sanitary sewer and drainage to serve Cypress Landing, Sections One and Two; to approve payment of Pay Estimate No. 3 to Conn's Construction, Inc. in the amount of \$24,444.00 for the Lift Station for Cypress Landing; to approve payment of Pay Estimate No. 4 to B & D Construction in the amount of \$98,030.42 for the Offsite Drainage Channel; to award to C. F. McDonald the contract for the generator at Water Plant No. One and the lift station controls for the generator hookups, including Sections B and C1, in the amount of \$434,469.00; to approve payment to Storm Water Solutions in the amount of \$2,968.65 for the pump replacement at Cypress Mill Estates pond; to approve payment to Storm Water Solutions in the amount of \$10,560.00 for the clean out of the detention

pond; to award the contract for the water and sanitary sewer facilities to serve The Shoppes at Fry Road to Big State Excavation, Inc., in the amount of \$482,055.40; and to approve the proposal by Storm Water Solutions for treatment of fire ants around the District's detention pond in the amount of \$2,449.00.

5. **Consider Corinthian Fry Road Investors easement conveyances.** Mr. Hirshman reported that Corinthian Fry Road Investors ("CRFI") requires easements in property which is a landscape reserve, a portion of which the District has the underlying fee. Mr. Pappas reported that the lift station easement will be coordinated with Mr. Hixon. Mr. Hirshman stated that an easement would be optimal for future identification and to prevent the Texas Department of Transportation from expanding its right-of-way over the proposed line. Mr. Pennington stated that he would discuss with the F&J real estate attorney the preparation of such a document. Mr. Janzer reported that the City of Houston wants proof that the District approve of the proposed easements on the District's property. 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 authorize the preparation and recordation of a document to record the CRFI easements on the District's property and to authorize the President to sign a letter (to be prepared by the engineer) to the City of Houston approving the right-of-way for the CRFI easements.

6. **Consider Authorization of Preparation of Preliminary Official Statement for Refunding Bonds.** The President recognized Mr. Rathmann, who presented to and reviewed with the Board the Summary of Refunding Effects, a copy of which is attached hereto as Exhibit "D." Mr. Rathmann noted that the calculations were based on yesterday's market plus ten basis points. He stated that the City of Houston ordinance requires a minimum of a 3% net present value savings. Mr. Rathmann estimated that refunding the bonds may achieve a net present value savings of approximately 5%. Mr. Rathmann reviewed the refunding process, including that it would be a negotiated transaction and that there would be an escrow account established for management of the bond redemptions. Mr. Rathmann reported that the escrow account interest earnings are not to exceed the net interest of the refunding bonds. He stated that he did not expect significant negative arbitrage with this refunding. Mr. Rathmann stated that the if the market changes and the savings significantly decrease, then the Board is under no obligation to proceed with the refunding and no costs will be incurred by the District. 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 authorize the issuance of refunding bonds and to authorize Mr. Rathmann to proceed with the preparation of the Preliminary Official Statement for the Refunding Bonds.

7. **Developers' Report and reimbursement issues.** The President recognized Mr. Hixon, who reported that the contract for the construction of the professional building has been advertised for bids. He stated that he expects construction to begin within a month.

Mr. Livotto reported that the contractor is paving Sydney Harbour, Section Four. He asked the Board if it wants to help pay for landscaping along the wooden fence surrounding Water Plant No. 2 in Sydney Harbour. The Board instructed Mr. Brock to review the site and bring landscaping proposals for the location to the next Board meeting.

Mr. Pappas reported that the on-site utilities are out for bid and that Mr. Hirshman is reviewing the plans. He stated that the leasing is progressing, with approximately 70% of the 138,000 square feet leased.

8. **Consider Corinthian Fry Road Investors petition for annexation and submission to the City of Houston.** The President recognized Mr. Pappas, who presented to the Board the Petition for Consent to Addition of Land and Petition for Addition of Land (the "Annexation Petitions"), copies of which are attached hereto as Exhibits "E" and "F," respectively. Upon motion by Director Handley, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Annexation Petitions and authorize the submission to the City of Houston.

9. **Recreational Facilities Planning/Harris County Flood Control District Partnership.** Director Handley reported that he has informed the Homeowners Association that he has arranged for the removal of the dead trees and fire ant treatment around the detention ponds. He presented to the Board the proposal by GreenPros for the replacement trees in the amount of \$1,920.00, a copy of which is attached hereto as Exhibit "G." Director Handley reported that Storm Water Solutions and GreenPros mow different areas of the District. The President requested a map of the different areas of mowing responsibility among Storm Water Solutions and GreenPros. Director Bryant reported that there is a dead tree which appears to have been struck by lightning in the 2.5 acre park at Sasher Lane. Director Handley stated that he would arrange for the removal of the tree. 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 accept the proposal by GreenPros for the replacement of the dead trees for \$1,920.00.

10. **Discuss Recycling and Take Any Necessary Action.** The Board discussed the fact that the recycling contract expires September 1, 2008. It was the consensus of the Board not to interfere with the recycling contract as it was initiated by the Homeowners Association ("HOA"). The Board decided it was the HOA's decision on whether or not to buy out the recycling contract, and if so, to fund such endeavor.

11. **Tax Assessor-Collector's Report and payment of bills.** The President recognized Mr. Lee, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "H." Mr. Lee noted that 94% of the District's 2006 taxes have been collected as of March 31, 2007.

Mr. Lee presented to and reviewed with the Board letters from Mr. Nawaz and Mr. Rosario requesting waiver of penalty and interest on delinquent taxes, copies of which are attached hereto as Exhibits "I" and "J," respectively. Mr. Nawaz reported that he purchased the house in October and did not receive a tax statement until March 2007. Mr. Rosario reported that he paid the tax bill online and provided confirmation by Chase that such payment was made.

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, to authorize the expenditures listed therein, to deny the requests for waiver of penalty and interest by Mr. Nawaz, and to approve the request for waiver

of penalty and interest by Mr. Rosario.

12. **Ratification of Resolution Authorizing Request for Certificate of Estimated Assessed Valuation.** 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 Resolution Authorizing Request for Certificate of Estimated Assessed Valuation, a copy of which is attached hereto as Exhibit "K."

13. **Discuss and Approve Property Tax Exemptions.** Mr. Pennington presented to and reviewed with the Board the Order Adopting Exemption from Taxation for Individuals Who are Disabled or are 65 Years of Age or Older (the "Order"), a copy of which is attached hereto as Exhibit "L." Mr. Lee informed the Board that in 2006 the District offered an exemption of \$20,000 of the appraised value of residence homesteads within the District for individuals who were disabled or were 65 years of age or older. Mr. Lee reported that 103 accounts qualify for these exemptions in the District. He also reported that this exemption is in excess of that allowed by surrounding districts.

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 Order with an exemption of \$20,000 of the appraised value of residence homesteads within in the District for individuals that are disabled or 65 years of age or older.

14. **Bookkeeper's 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 "M."

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

15. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The 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 "N." Mr. Brock reported that he continues his investigation of the high accountability and is working with Mr. Hirshman to locate plans of Cypress Mill to locate all the interconnect valves.

Mr. Brock reported that there was an excursion due to low dissolved oxygen from a problem with the blowers at the wastewater treatment plant. He stated that he has contacted Schrader Engineering for the specifications for the centrifugal blowers.

Mr. Brock reviewed the draft Consumer Confidence Report, included in the Operator's Report.

Mr. Brock reviewed the Water Well No. 1 and Water Well No. 2A performance reports.

Mr. Brock requested approval to write off seventeen accounts totaling \$2,141.74 for collection.

The President reported that Mr. Harrington has provided a letter of authorization to obtain quotes for electricity, a copy of which is attached hereto as Exhibit "O."

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 Operator's Report; to approve the Consumer Confidence Report; to terminate those accounts listed on the delinquent list; to approve writing off the seventeen accounts for collection; and to authorize execution of the letter of authorization to obtain electricity quotes.

16. **Approve Consumer Confidence Report.** This item was covered under the Operator's Report.

17. **Award Onsite Utilities, Lift Station and Offsite Force Main for Corinthian Fry Road Investors.** This item was covered under the Engineer's Report.

18. **Award Water Plant No. 1 Generator and Generator Hookups Project.** This item was covered under the Engineer's Report.

19. **Consider Reimbursement Agreement for Cymill Partners and Acceptance of Force Main Easement.** This item was deferred.

20. **Approve Settlement Agreement with Centerpoint Energy.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the Full and Final Settlement and Release Agreement with Centerpoint Energy, Inc. (the "Settlement Agreement"), a copy of which is attached hereto as Exhibit "P." 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 Settlement Agreement.

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

22. **Approve List of Authorized Users for Ringtail Database.** The President recognized Mr. Pennington, who presented to and reviewed with the Board the List of Authorized Users for Ringtail Database, a copy of which is attached hereto as Exhibit "Q." Upon motion by Director Handley, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the List of Authorized Users for Ringtail Database.

23. **Update on purchase of property for off-site rights of way and take any necessary action.** Mr. Pennington reported that the last person was served and that only one appeal is pending at this time. Mr. Brock reported that Mr. Bautista stated that he will need taps within thirty days. Mr. Brock stated that there may need to be sludge hauls for a while. The Board discussed who was to pay for the sludge hauls. Mr. Pennington asked Mr. Brock to get pricing for sludge hauls for the next meeting.

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


25. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on May 18, 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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The attached and foregoing minutes were passed and approved by the Board of Directors on May 18, 2007.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

