

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
August 17, 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 August 17, 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. Bill Hixon of Cymill Partners, developer of land within the District; Mr. Greg Wamhoff of Centex Homes, developer of land within the District; Deputy Blackledge, deputy for the District; and Ms. Kathleen Ellison, Mr. Steve Carroll 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 July 20, 2007, previously distributed to the Board, were presented for review and approval. 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 minutes of July 20, 2007, as presented.

2. **Authorize legal action, engineering services and appraisal services for the county condemnation of Mueschke Road right of way, including the county condemnation of the District's sanitary sewer easement and drainage easement on the property of North Houston Land Company.** The President recognized Mr. Carroll, who reported that Harris County has sued the District in connection with the widening of Mueschke Road. He stated that Harris County plans to construct a detention pond on the land owned by North Houston Land Company which already has a District sanitary sewer line in an easement

the District was granted by North Houston Land Company. Mr. Carroll reported that the sanitary sewer line might not be affected by the County's planned detention facility because it is below the planned depth of the facility; however the District's drainage easement might be adversely affected. He stated that Mr. Hirshman will review the County's construction plans. Mr. Carroll reported that the hearing on the condemnation has been postponed until late September. He stated that Centex Homes and Kimball Hill Homes are concerned about the County project and may join the lawsuit. Mr. Carroll reported that Mr. Holcombe is attempting to negotiate a price for land the County plans to condemn.

Mr. Carroll reported that Mr. Drew still has claims for damages and that the contractor is waiting for the weather to permit the repairs. He stated that Mr. Drew understands the delay. He stated that Mr. Domingue's appeal is still pending.

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 authorize necessary engineering services by Mr. Hirshman and legal services by F&J to represent the District in the Harris County condemnation lawsuit for the widening of Mueschke Road.

3. **Public Comments and letters from residents.** The Board reviewed the letters from Ms. Loughlin and Ms. Jackson, copies of which are attached hereto as Exhibits "B" and "C," respectively. The President reported that he attempted to contact both residents without success. He stated that all of the District's detention basins are maintained on the same schedule but mowing may be delayed due to rain. Director Handley stated that Storm Water Solutions is mowing on schedule and that the tops of the detention swales are being maintained. Director Handley stated that he gave Storm Water Solutions approval to remove five dead trees. The Board discussed putting an email address in its website and designating a director to manage emails and letters in between Board meetings. Director Bryant volunteered to manage resident emails and letters between meetings.

4. **Developer's Report and Reimbursement Issues.** The President recognized Mr. Hixon, who reported that an Italian Restaurant will be where Alicia's Restaurant is currently located and Alicia's will relocate to a new location. Mr. Hixon reported that he has not resolved the detention issue for his property. He stated that he is planning to bring a waterline around the corner of Cypress-Rosehill in the near future. Mr. Hixon reported that Compass Bank is ready to begin construction.

Director Handley stated that he will inform GreenPros to stop mowing the easement from the lift station owned by the Homeowners Association.

Mr. Wamhoff reported that Centex Homes sold four homes in Cypress Landing. He stated that the phase one landscaping is done and that the contractor has begun construction of the pool. Mr. Wamhoff reported that Centex Homes would like the District to grant an easement to allow power poles along the District's detention pond. Mr. Hirshman stated that the easement should be acceptable if the poles are put by the fence and do not interfere with the mowing along the detention pond. It was the consensus of the Board to grant an easement to allow electrical poles along the detention pond as long as the poles do not interfere with the mowing and are next to the fence.

Director Henry reported that the weeds are high on the Corinthian Fry Road Investors' tract. Mr. Hirshman and Mr. Brock confirmed that construction on the tract will begin soon.

5. **Approve Order Adding Land and Redefining Boundaries for Corinthian Fry Road Investors annexation.** Ms. Ellison presented to and reviewed with the Board the Order Adding Land and Redefining Boundaries, a copy of which is attached hereto as Exhibit "D." Ms. Ellison reported that the City of Houston has consented to the annexation of the property owned by Corinthian Fry Road Investors. 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 Adding Land and Redefining Boundaries.

6. **Approve Amended District Information Form for Corinthian Fry Road Investors annexation.** Ms. Ellison presented to and reviewed with the Board the Amended District Information Form, a copy of which is attached hereto as Exhibit "E." Ms. Ellison reported that with the addition of the Corinthian Fry Road Investors' tract, the District is required to file an updated District Information Form in the Harris County Real Property Records. 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 filing of the Amended District Information Form.

7. **Security report and any necessary action.** Deputy Blackledge reviewed the security report for the month of July, a copy of which is attached hereto as Exhibit "F." He stated that there has been an increase in car burglaries in the last month. He stated that reported thefts at the Wal-Mart were decreased last month due to the theft prevention officer not being at work. Deputy Blackledge asked when the Cypress Ridge roads would be accepted by Harris County. He stated that he cannot enforce traffic laws on the roads until they are accepted by the County. Mr. Hirshman stated that the developer has failed to make the punch list repairs requested by Harris County so he cannot get the roads accepted. Deputy Blackledge reported that a juvenile from Fairfield was stopped in the District for a broken tail light and found to have a large amount of marijuana in his car. He stated that the Wal-Mart in the District is top in the nation for losses and his office gets an average of four calls a day from Wal-Mart. He stated that on average the deputies will take one suspect downtown a day and issue warrants for the remainder of the calls so the rest of the District can be covered.

8. **Recreational Facilities Planning/Harris County Flood Control District Partnership.** No action was taken on this item.

9. **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 "G." Mr. Lee noted that 97% of the District's 2006 taxes have been collected as of July 31, 2007.

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 Tax-Assessor-Collector's Report and to authorize the expenditures listed therein.

10. **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 "H." Ms. Austin reported that the next debt payment is September 1, 2007. She stated that there is no update on the Strategic Partnership Agreement payments by the City of Houston this month.

Ms. Austin reported that new legislation requires electricity, water, or natural gas usage to be reported by the utility districts. She stated that other districts are adding this information to the bookkeeper's report. It was the consensus of the Board to have Ms. Austin report the District's utility usage and costs in the Bookkeeper Report. Ms. Ellison said the usage is supposed to be on a publicly accessible website, if available, and since the District has a website it should consider adding the information. The Board discussed adding the usage and other conservation information to the website. Ms. Ellison said that the legislation requires utility districts spending over \$200,000 annually for electricity to implement energy efficiency measures and establish a goal to reduce energy consumption by 5% per year. The Board discussed possible conservation methods and asked that Mr. Mike Harrington be consulted.

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

11. **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 "I." Mr. Brock reported that one interconnect valve with Harris County Municipal Utility District No. 391 still has not been located by Severn Trent Environmental Services.

Mr. Brock reviewed with the Board a report of alleged violations at the District's wastewater treatment plant made by the Texas Commission on Environmental Quality ("TCEQ") and his response to the TCEQ, a copy of which is attached hereto as Exhibit "J." Mr. Brock reported that Neil Technical Services has not installed the repaired blower due to electrical issues and has not provided a proposal to install centrifugal blowers. He stated that the District is currently using two rented centrifugal blowers. The President stated that he would contact Mr. Wycoff at Neil Technical Services regarding the blowers. In response to the TCEQ Notice of Violation, Mr. Brock stated that the catwalk over the basin and an onsite lift station will be considered during the design of the wastewater treatment plant expansion.

Upon inquiry from the President, Mr. Brock discussed hurricane preparedness.

Upon motion by Director Halloran, seconded by Director Henry, 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.

12. **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 "K." Mr. Hirshman reported a request for a

capacity commitment of approximately two estimated single family connections ("ESFC") by Compass Bank at the corner of Cypress-Rosehill and Jardin Lane,.

Mr. Hirshman reported that Cymill Partners is redesigning the detention pond to have a grass bottom with a pilot channel and concrete walls. He asked the Board if it had any problems with maintaining a detention pond with a grass bottom. Director Handley noted that the drawing of the proposed detention pond has seven foot walls and asked if a fence would be constructed around the detention pond to prevent accidents. Mr. Hirshman stated that he would contact Mr. Hixon with the Board's request for a fence around the detention pond if it has concrete walls.

Mr. Hirshman reported on utility construction in Cypress Landing and Cypress Landing Park. He stated that the ten inch offsite force main project was inspected by the TCEQ and that the contractor is working on the punch list. Mr. Hirshman reported that the final inspection of the off site ditch and detention pond facilities for Cypress Landing, Sections One and Two, will be on August 17, 2007. He stated that the TCEQ inspected the Cypress Landing lift station and that the contractor is working on the punch list. Mr. Hirshman reported that the engineer for Centex Homes is requesting authorization to design the utilities for Cypress Landing East, Sections Three and Four.

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 that it allow the District to use a rate of 280 gallons per connection.

Mr. Hirshman reported that DEC submitted the elevated storage tank variance request to the TCEQ on June 20, 2007. He stated that the TCEQ review has been delayed as the reviewer has been relocated to Abilene.

Mr. Hirshman reported that the final notice of the wastewater treatment plant permit renewal has been published. He stated that the TCEQ should issue the new permit in September.

Mr. Hirshman reviewed the proposal for the sump pit for the Cypress Mill Park 1 detention pond which is attached to the Engineer's Report. He stated that the proposal is for \$24,870.00, but it may cost more if weather requires additional days to dewater the existing pond.

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 authorize Mr. Hirshman to write the capacity commitment letter to Compass Bank for 2 ESFC, to authorize the engineer to design the utilities for Cypress Landing East, Sections Three and Four; and to accept the proposal by Storm Water Solutions for the Sump Pit in Cypress Mill Park 1.

13. Approve Order Authorizing Application for Approval by the Texas Commission on Environmental Quality for Release of Escrow for Water Plant No. 1 Generator. Ms. Ellison presented to and reviewed with the Board the Order Authorizing Application for Approval by the TCEQ for Release of Escrowed Funds for Water Plant No. 1 Generator ("Order"), a copy of which is attached hereto as Exhibit "L." She stated that this

Order is to release the escrowed funds for the Water Plant No. 1 generator. 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 Order.

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

15. **Discuss Agenda for September 13 meeting in the District.** The Board reviewed the agenda for the meeting in the District.

16. **Consider Strategic Partnership Agreement with the City of Houston for recent annexations and schedule public hearings.** Ms. Deitrick reported that the hearing in the District on the Strategic Partnership Agreement with the City of Houston will have to occur in October instead of September as the City of Houston will not be providing the agreement soon enough for a September meeting.

17. **Authorize Submission of Continuing Disclosure Materials.** Ms. Ellison presented to and reviewed with the Board the Annual Report on Financial Information and Operating Data, a copy of which is attached hereto as Exhibit "M." Ms. Ellison reported that the report is an annual requirement. She stated that the final audit will be submitted with the financial information. 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 report and authorize its filing.

18. **Update on purchase of property for off-site rights of way and take any necessary action.** This item was discussed by Mr. Carroll under item 2.

19. **Other matters.** Mr. Brock reported on recent legislation.

20. **Next Meeting Date.** The Board noted that the next meeting would be held on September 13, 2007 at 7:00 p.m. at 14710 Mills Park Lane, Cypress, Texas 77429 and the next regular monthly Board meeting will be held on September 21, 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.

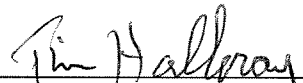
* * *

The attached and foregoing minutes were passed and approved by the Board of Directors on September 21, 2007.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

