

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
September 13, 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 special session, open to the public, at 14710 Mills Park Lane, Cypress Texas, on September 13, 2007, at 7:00 p.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 Mr. John Brock of AquaServices L.P., operator for the District; Ms. Yvette Deitrick of Fulbright & Jaworski L.L.P. ("F&J"); and the following residents of the District: Mr. Bob Lilienthal; Ms. Shirley Whitley, Ms. Gail Norris, Mr. Donald Staas, Mr. Charles Hoffman, Ms. Dena Loughlin, Mr. Mike Loughlin, Ms. Twyla Cauthen, Ms. Dorothy Staas, Ms. Thelma Slater, Ms. Tina Howard, Mr. Steve Howard, Mr. Jonathan Salvador, Ms. Jennifer Vherek, and Mr. Larry Ramirez.

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. **Introduction of Board Members & Guests.** The President welcomed the residents to the meeting and introduced the District's Directors and Consultants.

2. **Planning and status of facilities for the District.** The President reported that Cymill Partners is constructing a professional building at US Highway 290 and Cypress Chase. He stated that Corinthian Fry Road Investors is developing a commercial tract across US Highway 290 at Cypress-Rosehill which has commitments from IHOP Restaurant and CVS Pharmacy. The President reported that there is a generator at Water Plant No. 2 and that the District is installing a generator at Water Plant No. 1. He stated that the District is obtaining an auxiliary generator and working on control modifications for the existing lift stations for generator hookups.

Director Bryant reported that an email link has been created on the District's web site to facilitate communication between the residents and the Board. Director Handley informed the residents that the web site URL is cypresshillmud1.com and that it is listed in the newsletter.

3. **Public comments and letters from residents.** The President recognized Mr. Lilienthal, who asked if the District was required to annex developments into the District. The President stated that the District is not required to annex developments into the District. Mr. Lilienthal asked if the taxes from all District residents are used to pay the bond debt from the bonds issued to reimburse the developers for the construction of the infrastructure of new developments. The President stated that the taxation is not separated among the subdivisions of the District. He reported that the District does not issue bonds to reimburse the developer until there is sufficient taxable value of the development that results in tax revenue to pay the bond debt without increasing the tax rate. Director Handley stated that annexing developments into the District also benefits the District by creating additional facilities that can be relied on and used by the residents. He stated that the construction of a second water plant in the District created a backup for the old water plant.

Mr. Hoffman asked why the utility districts reimburse the developers for the creation of the infrastructure instead of passing this cost to the home buyer. Director Handley explained that this system of infrastructure development was created by the Texas legislature, not the District. Mr. Brock reported that some developers do pass along the infrastructure costs to the home buyers, in which case sanitary sewer service and fire fighting services are not provided and the cost for water is three times as much.

Ms. Whitley asked how the residents are able to contact the Board to request work and repairs. She stated that the detention pond was mowed yesterday, but previously there was a long period between mowings. The President reported that the continual rain this summer has made detention pond maintenance difficult. Ms. Whitley stated that the Cymill Estates detention pond is maintained better than the Cypress Mill detention pond. She stated that the contractor from Storm Water Solutions actually came out to the District after the Cypress Mill detention pond was mowed and that he was appalled at the results of his workers. Ms. Whitley commented that the company also does not weed eat along the detention ponds and that the irrigation system is not working. Director Handley reported that he just signed an \$1,100 work order to repair the irrigation system.

Ms. Norris thanked Director Handley for his work on the dead trees and clean up of the detention ponds. She noted that it was unfortunate to have new trees planted with an irrigation system not functioning as the trees will soon be dead. Ms. Norris asked what is the white, milky material in the detention pond. She noted that it is present all the time and has been for years. The Board stated that they would investigate the matter. Mr. Brock reported that it may be from the Sydney Harbour detention ponds which are not being maintained. Ms. Norris asked if there were any plans to reconfigure the swales. She stated that the swales against the sidewalk along the detention pond do not drain. A resident noted that an attempt was made a couple of years ago at which time six to eight dump trucks of dirt were brought in to re-grade the swales. Mr. Lilienthal stated that at a previous Board meetings he attended the Board stated that it is too expensive to repair the swales in such a large area. Mr. Staas reported that he met with Director Handley regarding this matter and that Director Handley stated he would work on the

matter. Director Handley reported that the items sent to him by Mr. Staas have been addressed and that he is not aware of any current problem. Mr. Staas reported that he has been out of town for a few months and has not yet reviewed the area.

Mr. Staas asked if the District manages pruning of the trees in the pocket park and along the detention ponds. He recommended a maintenance program in the fall for pruning and shaping of the trees. Director Handley reported that he toured the District with GreenPros, one of the District's maintenance contractors, and outlined the work to be performed in the District.

Mr. Staas asked how the District would manage the bond debt if the new developments in the District fail due to the subprime issues occurring in the housing market throughout the nation. The President explained that the bonds are not issued until sufficient taxable value is on the ground to support the bond debt and that if the developer fails, the bank will still be required to pay the taxes on the development.

Mr. Staas asked if the Board knew what the 2007 tax rate would be. The President reported that the tax rate could not be determined until the Harris County Appraisal District ("HCAD") provided the certified tax roll for the District, which has not occurred yet. Mr. Lilienthal noted that his appeal of his appraisal is still pending. Ms. Deitrick reported that HCAD will provide the certified tax roll once 90% of the tax roll is certified.

A resident reported that the easement owned by Sydney Harbour located behind her house is not being maintained. Director Handley stated that the easement has been added to the mowing schedule. She asked why only a strip is mowed along the rim of the detention ponds. The Board explained that there are two contractors, one for maintaining the detention ponds and one for the other areas, thus the detention ponds are not being mowed by the same company.

A resident asked if the District would treat for fire ants along the detention ponds. Director Handley reported that the District does treat for fire ants along the detention ponds. A resident asked about adding equipment to circulate the water in the detention ponds to reduce the number of mosquitoes. Director Handley explained that such amenities need to be done at the time of construction of the detention ponds by the developer and that it is too expensive for the District to install such equipment once the detention pond is complete.

A resident asked if the garden club could plant trees in the District. Director Handley stated that he would welcome tree planting and requested the garden club contact him to coordinate beautification of the District.

A resident noted that the irrigation system along the detention pond is not functioning and that the newly planted trees are going to die. Director Handley stated that he would bike the detention ponds to investigate standing water and sprinklers. Director Bryant asked the residents for solutions to the standing water along the sidewalk. The residents stated that it needed to be re-graded.

A resident asked if lighting could be installed along the green belt along the detention ponds in Cypress Mill Estates for safety purposes. Ms. Whitley asked if lighting could be installed at the Cypress Orchard Park as well. Director Handley explained that working with

the new management company for the Cypress Mill Homeowners Association (“HOA”) is difficult. He stated that he use to have the old HOA management company bid projects and repairs, arrange for the work and then forward the invoices to him to have the District pay for the work. Director Handley stated that the new HOA management company will not do this and it is difficult to bid and arrange for all the various projects requested by the residents.

Ms. Whitley asked if the District should be contacted when criminal activity is occurring, such as the recent graffiti and gang activity. Director Handley stated that the residents should contact the District regarding security issues even if there is other security working in the area.

Mr. Brock noted that there was a television news report showing an overflowing sanitary sewer system at a Whataburger restaurant on US Highway 290. He requested the residents not put grease and table scraps in the drains as this causes such backups. Mr. Brock reported that the District has established a scheduled cleaning program of the District’s sewer lines to prevent such problems; however, it is helpful if the residents not put grease in the drains.

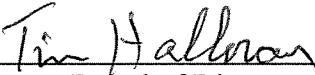
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on September 20, 2007.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

