

MINUTES OF MEETING OF BOARD OF DIRECTORS  
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1  
March 28, 2008

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 special session, open to the public, at the offices of Fulbright & Jaworski L.L.P. at 1301 McKinney, Houston, Texas, on March 28, 2008, 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. 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. Tracy Riley of Eagle Water Management, Inc.; Mr. Jimmy Pappas of Corinthian Fry Road Investors, developer of land within the District; Mr. Bill Hixon of Cymill Partners, developer of land within the District; Sergeant Blackledge, Deputy Lenear and Deputy Walker, constables for the District; and Mr. Oliver Pennington, Ms. Kathleen Ellison 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 February 15, 2008, 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 February 15, 2008, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported that one resident email concerned an installment payment plan after having a leak, which he forwarded to Southwest Water Company for management. He reported that a resident emailed about the lights constantly on at the wastewater treatment plant, which he forwarded to Mr. Browne at Southwest Water Company, who said he would have the lights turned off.

Director Bryant reported that a resident emailed about a wash-out at the pocket park at 17510½ Cypress Orchard. The President stated that he has contacted Storm Water Solutions for a proposal to repair the wash-out. Mr. Hixon stated that Storm Water Solutions may have the residual dirt from the detention pond recently constructed on his 3.7 acre tract if needed. 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 the President to decide whether to accept the Storm Water Solutions proposal on behalf of the District for repair of the wash-out.

3. **Consider engagement of Arbitrage Compliance Specialists.** The President recognized Ms. Ellison, who reported that the District is not allowed to earn arbitrage on the proceeds from the District's bond issuances. She reported that Arbitrage Compliance Specialists is proposing to set up a monitoring system for all of the District's bond issuances to evaluate compliance with yield restrictions and arbitrage requirements. Ms. Ellison reported that the District has three bond issuances which will require an arbitrage rebate report at a cost of \$2,950 each and three bond issuances which should be evaluated for yield restriction compliance at an approximate cost of \$1,350 each. Mr. Pennington stated that the Internal Revenue Service has been active on this issue. He stated that penalties may be imposed upon the District and bond issuances may lose their tax exempt status if not compliant. 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 President to sign the proposal by Arbitrage Compliance Specialists for evaluation of the District's bond issuances, a copy of which is attached hereto as Exhibit "B."

4. **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 "C." Mr. Lee noted that 92% of the District's 2007 taxes have been collected as of February 29, 2008.

Upon review of the list of delinquent tax accounts, Mr. Lee stated that he would have Philly Connection removed as it is not located within the District.

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, and to authorize the expenditures listed therein.

5. **Security report and any necessary action.** The President recognized Sergeant Blackledge, who introduced Deputies Walker and Lenear to the Board. Sergeant Blackledge reported that Deputy Brooks resigned.

Sergeant Blackledge presented to and reviewed with the Board the Security Report for the month of February, a copy of which is attached hereto as Exhibit "D." He reported that crime behind Alicia's Restaurant has stopped since the installation of the outside cameras.

Sergeant Blackledge reported that the new automated external defibrillator has arrived for the additional deputy car. He stated that the deputies will be trained on the use of the

defibrillator.

6. **Developer's Report and Reimbursement Issues.** The President recognized Mr. Hixon, who reported that a photographer is interested in 1,400 square feet in the existing professional building which has the donut shop and doctor's office. He stated that construction of the next professional building will begin when 5,000 square feet are pre-leased. Mr. Hixon reported that the detention pond for the 3.7 acre tract is near complete. He stated that there was some sloughing of the small detention pond which needs repair. Mr. Hixon reported that Alicia's Restaurant closed on the loan for the new location and construction will commence.

Mr. Hixon reviewed with the Board the letter by Cymill Partners, Ltd. which requests reimbursement for construction of the waterline in Reserve A, a copy of which is attached hereto as Exhibit "E." He stated that the reimbursement will be less than \$100,000. The Board discussed other reimbursements, including two sections for Sydney Harbour and the Shoppes at Fry Road. Mr. Hirshman stated that Cypress Landing will not be ready for reimbursement in the near future. 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 requesting approval by the Texas Commission on Environmental Quality for use of surplus funds to reimburse Cymill Partners, Ltd.

The President recognized Mr. Pappas, who reported that graffiti has appeared on his buildings. He stated that the graffiti creator initialed his work and that the constables recognize the initials. Mr. Pappas reported that IHOP has begun construction and CVS Pharmacy continues its store construction. Mr. Pappas reported that the contractor is constructing the pilot channel for the detention pond. He stated that he is waiting on CenterPoint Energy to provide power to the site. Mr. Pappas reported that CenterPoint Energy has provided a blanket easement for the District's lift station site and detention pond. He stated that a more specific ten foot easement will be prepared for the lift station site and detention pond which will supersede the blanket easement. 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 Blanket Easements for the Lift Station Site and Detention Pond, copies of which are attached hereto as Exhibits "F," and "G," respectively.

7. **Easements for CenterPoint Energy for the Shoppes at Fry Road tract.** This item was covered under the Developers' Report.

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

9. **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 March 1, 2008 debt payment was paid.

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

10. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The Board reviewed the Operator's Report provided by Southwest Water Company, a copy of which is attached hereto as Exhibit "I." Upon review of the water well performance test results, the President noted that Water Well 2A had 44% efficiency. Mr. Hirshman noted that this is the small well at Water Plant No. 1. Mr. Hirshman reported that it is good that the static and pumping levels are not decreasing.

The Board discussed the changeover of management from Southwest Water Company to Eagle Water Management. Mr. Riley reported that a time will be coordinated with Southwest Water Company to change the locks on the District's facilities. He stated that the signs for Eagle Water Management will be posted. Mr. Riley stated that a note on the water bill will provide the new water service contact numbers.

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 the Operator's Report and to terminate those accounts listed on the delinquent list.

11. **Approve Operator Contract with Eagle Water Management, Inc.** The President recognized Mr. Pennington, who reported that there were only minor edits required of the Water and/or Wastewater Utility District Operations and Service Agreement ("Operator Service Agreement"), a copy of which is attached hereto as Exhibit "J." 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 Operator Service Agreement.

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 that Ms. Harper of F&J has provided a letter to Mr. Drew's attorney which stated that no additional work would be performed on the ditch along the private street. He stated that the letter requested photographic documentation of any remaining issues regarding the ditch. Mr. Hirshman stated that Ms. Harper has not received a response to the letter.

Mr. Hirshman reported on development in Cypress Landing and Cypress Landing Park. Mr. Hirshman requested authorization for design and bidding of the utilities for Cypress Landing, Section Five. He reported that taps have been approved for Cypress Landing Park, Sections One and Two.

Mr. Hirshman reported that a map of the District with the water and sewer lines depicted has been provided to Eagle Water Management. The President recommended the addition of the main lines connecting Cypress Landing and Cypress Landing Park to the other portion of the District. Mr. Riley reported that there are plans at the wastewater treatment plant which he has not reviewed yet so he is uncertain of what additional maps and plans he needs at this time.

Mr. Hirshman noted that the last submittal for the waiver of the elevated storage tank requirement was on December 13, 2007. He stated that no further action has been taken.

Mr. Hirshman recommended approval of payment by Cymill Partners, Ltd. of Pay Estimate No. 1 to C.E.Barker, Ltd. in the amount of \$113,831.77 for the utilities and detention ponds serving the 3.7 acre tract at Cypress mill Place and US Highway 290.

Mr. Hirshman reported that the pre-construction meeting for the widening of Cypress Rosehill Road was held on March 24. He stated that Harris County will invoice the District for approximately \$117,000. Mr. Hirshman stated that the bid for the relocation of the District's utilities was \$103,775. He stated that he did not know if there was language in the agreement with Harris County on whether to invoice the District the bid amount plus contingencies. Mr. Hirshman requested approval to have a check circulated for signature for payment to Harris County once the invoice is provided.

Mr. Hirshman reported that IHOP and CVS Pharmacy requested taps prior to approval of the utilities to facilitate the leads to be constructed prior to the paving. He reported that the taps were allowed on the condition that connection is not made to the buildings until final approval of the trunk water lines and sanitary sewer lines. Mr. Hirshman reported that the taps were made after inspection and bacteriological testing.

Mr. Hirshman reported receipt of a request from Brown & Gay Engineering for 500,000 gallons per day wastewater treatment capacity for the Mason Westgreen LP treatment plant. He stated that the District does not have such excess capacity available. Mr. Hirshman reported that he would provide a letter to Brown & Gay Engineering of such with Board authorization.

Mr. Hirshman recommended approval of payment by Cymill Partners, Ltd. of Pay Estimate No. 3 to Big State Excavation in the amount of \$2,347.60 for the twelve inch waterline constructed to serve the Cypress Rosehill retail center.

Mr. Hirshman recommended approval of payment of Pay Estimate No. 1 in the amount of \$24,870.00 to Storm Water Solutions for the installation of the pump station at the detention pond located within Cypress Mill Park, Section One.

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 Engineer's Report; to authorize the design and bidding of the utilities for Cypress Landing, Section Five; to approve payment by Cymill Partners, Ltd. of Pay Estimate No. 1 to C.E.Barker, Ltd. in the amount of \$113,831.77 for the utilities and detention ponds serving the 3.7 acre tract at Cypress mill Place and US Highway 290; to approve circulation of a check for signature to pay Harris County for the relocation of the District's utilities related to the widening of Cypress Rosehill Road; to authorize Mr. Hirshman to write a letter to Brown & Gay Engineering stating that the District does not have 500,000 gallons per day of excess wastewater treatment capacity available for the Mason Westgreen LP treatment plant; to approve payment by Cymill Partners, Ltd. of Pay Estimate No. 3 to Big State Excavation in the amount of \$2,347.60 for the twelve inch waterline constructed to serve the Cypress Rosehill retail center; and to approve payment of Pay Estimate No. 1 in the amount of \$24,870.00 to Storm Water Solutions for the installation of the pump station at the detention pond located within Cypress Mill Park, Section One.

13. **Cancel election and adopt order declaring unopposed candidates elected to office.** Mr. Pennington stated that all candidates were unopposed and reviewed with the Board an Order Declaring Unopposed Candidates Elected to Office, a copy of which is attached hereto as Exhibit "L." 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 such Order, thereby canceling the 2008 Directors Election and declaring the unopposed candidates, Directors Handley and Bryant, elected to office.

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

15. **Update on purchase of property for off-site rights of way and take any necessary action.** This was covered under the Engineer's Report.

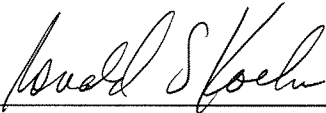
16. **Other matters.** No other matters were discussed.

17. **Next Meeting Date.** The Board noted that the next regular monthly Board meeting will be held on April 25, 2008, at 11:00 a.m. at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, Houston, Texas.

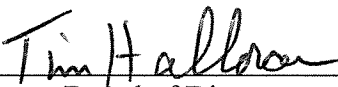
THERE BEING NO FURTHER BUSINESS TO COME BEFORE THE BOARD, the meeting was adjourned.

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The attached and foregoing minutes were passed and approved by the Board of Directors on April 25, 2008.

  
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President, Board of Directors

ATTEST:

  
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Secretary, Board of Directors

(DISTRICT SEAL)

