

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
January 6, 2011

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 January 6, 2011, at 12:00 p.m.; whereupon the roll was called of the members of the Board, to-wit:

Ronald S. Koehn, President
Robert Henry, Vice President
David Templeton, 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. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Mr. Greg Sissel of BKD, L.L.P., auditor for the District; Mr. Craig Rathmann of Rathmann & Associates, L.P., the financial advisor for the District; and Mr. Dimitri Millas 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 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. **Bill of Sale and Conveyance to Cypress Mill Homeowners Association (Cypress-Rosehill Beautification Project).** The President recognized Mr. Millas, who presented to and reviewed with the Board the Bill of Sale and Conveyance of HOA Facilities ("Bill of Sale"), a copy of which is attached hereto as Exhibit "B." Mr. Millas reported that the Bill of Sale will convey the Cypress-Rosehill Beautification Project fence and landscaping to the Cypress Mill Homeowner Association ("HOA") on the terms set forth in the Agreement for Development and Conveyance of Facilities between the District and the HOA. 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 Bill of Sale.

2. **Discuss KGA Deforest Design, LLC proposal for Sydney Harbour streetscape development and any necessary action.** The President recognized Mr. Millas, who reported that the Sydney Harbour Homeowners Association, Inc. has agreed to assume the maintenance of trees installed by the District along Cypress-Rosehill adjacent to Sydney Harbour and also to assume maintenance of the Cypress-Rosehill medians adjacent to Sydney Harbour.

Mr. Millas presented to and reviewed with the Board the Agreement for Development and Conveyance of Landscaping, a copy of which is attached hereto as Exhibit "C." Mr. Millas asked for Board authorization to send the proposed Agreement for Development and Conveyance of Landscaping to Sydney Harbour Homeowners Association, Inc. and Sydney Harbour Interests, Ltd. for signature.

The Board reviewed the KGA Deforest Design, L.L.C. proposal for streetscape development on Cypress Rosehill Road along Sydney Harbour frontage, a copy of which is attached hereto as Exhibit "D."

Upon motion by Director Henry, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to authorize F&J to provide the proposed Agreement for Development and Conveyance of Landscaping to Sydney Harbour Homeowners Association, Inc. and Sydney Harbour Interests, Ltd. and to approve the KGA Deforest Design, L.L.C. proposal for streetscape development along Cypress Rosehill Road along Sydney Harbour Frontage. The Board directed F&J to deliver the executed proposal to KGA Deforest Design once the Agreement for Development and Conveyance of Landscaping is fully executed.

3. Authorize engagement of auditor for Developer Reimbursement Audit. The President recognized Mr. Sissel, who presented to and reviewed with the Board the letter of engagement for the developer reimbursement audit, a copy of which is attached hereto as Exhibit "E." Mr. Sissel estimated that the developer reimbursement audit will cost approximately \$5,000 to \$6,000.

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 engage BKD to prepare the developer reimbursement audit.

4. Consider Cypress Auto Center request for annexation and any necessary action. The President recognized Mr. Hirshman, who presented to and reviewed with the Board the Cypress Auto Center location and facility diagram, a copy of which is attached hereto as Exhibit "F." Mr. Hirshman reported that the Cypress Auto Center, located at the northwest corner of Hempstead Highway and Fry Road, requested utility service by the District. Mr. Hirshman reported that he informed the property owner that the District would require that the tract be annexed into the District prior to receiving utility service and that a \$10,000 annexation deposit is required. Mr. Hirshman reported that he informed the property owner that the District would not provide reimbursement for the construction costs for utilities to serve the tract. The Board discussed the tract location and the feasibility of serving the tract. The Board asked Mr. Millas to send a letter to Cypress Auto Center stating that annexation is required for utility service and advising Cypress Auto Center of the requirements for annexation, including a \$10,000 deposit for annexation costs.

5. Receive Bids for Unlimited Tax Bonds, Series 2011. The President recognized Mr. Rathmann, who submitted to the President the bid results for the Unlimited Tax Bonds, Series 2011 (the "Bonds"), a copy of which is attached hereto as Exhibit "G." Mr. Rathmann reported that five bids were received.

6. **Accept Bid for Unlimited Tax Bonds, Series 2011.** Mr. Rathmann advised the Board that the bids had been verified and recommended that the Board accept the low bid from First Southwest Company, at a net effective interest rate of 5.695294%. He reported that the bidder chose to purchase bond insurance. Mr. Rathmann reported that the District received a rating from Standard & Poor's of BBB+ and provided the Standard & Poor's Rating Letter, a copy of which is attached hereto as Exhibit "H."

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 accept the bid from First Southwest Company.

7. **Order Authorizing \$2,875,000 Unlimited Tax Bonds, Series 2011, a Transfer and Paying Agency Agreement, an Official Statement; and Other Matters in Connection Therewith.** The President recognized Mr. Millas, who presented to and reviewed with the Board the Order Authorizing \$2,875,000 Unlimited Tax Bonds, Series 2011, a Transfer and Paying Agency Agreement, and an Official Statement (the "Order"), a copy of which is attached hereto as Exhibit "I." Mr. Millas presented to and reviewed with the Board the Transfer and Paying Agency Agreement, a copy of which is attached hereto as Exhibit "J." Mr. Millas reported that The Bank of New York Mellon Trust Company, N.A. will serve as Paying Agent and Registrar for the Bonds if the Order approving the Transfer and Paying Agency Agreement is approved.

Upon motion by Director Bryant, seconded by Director Templeton, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order.

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

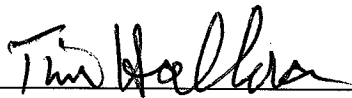
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The foregoing minutes were passed and approved by the Board of Directors on January 21, 2011.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

