

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
November 21, 2014

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 regular session, open to the public, at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas, on November 21, 2014, 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
Eddie Rucker, Treasurer
Tim Halloran, Secretary
Jerry Bryant, Assistant Secretary

All members of the Board were present, except Director Rucker. Also attending all or portions of the meeting were Ms. Cathy Drew of Assessments of the Southwest, tax assessor-collector for the District; Mr. Chris Oliver of Eagle Water Management, Inc. ("Eagle Water"), operator for the District; Ms. Wendy Austin of District Data Services, Inc., bookkeeper for the District; Mr. Alan Hirshman of Dannenbaum Engineering Corp. ("DEC"), engineer for the District; Ms. Heidi Stephenson of Cymill Partners, developer of land in the District; Mr. Ryan Day of Pulte Homes, developer of land in the District; Mr. Jim Moore of First General Realty; Ms. Julie Williams of Rathmann & Associates, L.P., financial advisor for the District; Ms. Stephanie Lee of KGA Deforest Design; Sergeant Blackledge, Constable for the District; and Ms. Kathleen Ellison and Ms. Yvette Deitrick of Fulbright & Jaworski LLP, a member of Norton Rose Fulbright, 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. **Minutes of the meeting of October 17, 2014.** The proposed minutes of the meeting of October 17, 2014, 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 October 17, 2014, as presented.

2. **Public Comments and letters from residents.** Director Bryant reported on emails to the District website. Director Bryant reported that seven requests regarding billing, new accounts and new contact information were forwarded to Eagle Water.

3. **Security report.** Sergeant Blackledge reviewed with the Board the Security Report for the month of October, a copy of which is attached hereto as Exhibit "B."

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 Security Report.

4. **Consider renewal of extra patrol.** The President recognized Sergeant Blackledge, who asked the Board if it wanted to renew the Extra Patrol coverage for January 1, 2015 through June 30, 2015, detailed in Exhibit A to the Independent Contractor Agreement, a copy of which is attached hereto as Exhibit "C." He noted that the proposed coverage is the same as the current coverage and will be performed by four deputies.

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 extra patrol through December 31, 2015 and to revise Exhibit A to the Independent Contractor Agreement to reflect a one-year term.

5. **Consider number of deputies for contract with Harris County Constables Office.** Sergeant Blackledge presented to and reviewed with the Board maps of the current and expected future Harris County Constable coverage in the area surrounding the District and the District's Historical Security Calls Since 2011, copies of which are attached hereto as Exhibit "D." Sergeant Blackledge reported that the number of calls to the Constable has increased in the past few years. He recommended the Board add an additional deputy to return the District to the number of deputies it had prior to a decrease in 2011. Sergeant Blackledge reported that Fairfield will have twelve constables patrolling Fairfield in 2015 and that Harris County Municipal Utility District No. 391 will have four constables patrolling in 2015.

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 one Lieutenant and five deputies for the contract with Harris County Constable Office beginning March 1, 2015.

6. **Financial advisor report on settlement with Attorney General and any necessary action.** The President recognized Ms. Williams, who reported on the settlement reached by Rathmann & Associates, L.P. with the Attorney General. Upon inquiry from Director Bryant, Ms. Williams said the fee the District paid to RBC Capital Markets, LLC for underwriting each of the District's bond issuances was a fair fee at the time it was paid. She reported that underwriting fees have decreased in recent years and that the fees paid to RBC Capital Markets, LLC in connection with underwriting the District's most recent refunding bond issuances were 0.9% and 0.8% of the principal amount of the bonds, respectively.

7. **Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Series 2015, a Bond Purchase Agreement, a Transfer and Paying Agency Agreement, a Deposit Letter and an Official Statement, and Authorizing the President or Vice President of the Board to Approve the Amounts, Interest Rates, Prices and Terms of the Bonds, and Other Matters in Connection Therewith.** The President recognized Ms. Williams, who presented to and reviewed with the Board a Summary of Refunding Effects, a copy of which is attached hereto as Exhibit "E." Ms. Williams noted that the summary shows that the District can save debt service expense by refunding certain maturities of its outstanding bonds. She noted that such savings are net of the costs to issue refunding bonds and must meet the minimum savings requirement set by the City of Houston.

Ms. Williams presented to and reviewed with the Board a Preliminary Official Statement ("POS"), dated November 21, 2014, for the District's proposed Unlimited Tax Refunding Bonds, Series 2015, a copy of which is attached hereto as Exhibit "F."

Ms. Williams presented to and reviewed with the Board the Addendum to Contract by and between the District and Rathmann & Associates, L.P. for Financial Advisory Services ("Addendum"), a copy of which is attached hereto as Exhibit "G." Ms. Williams reported that the Addendum specifies that the financial advisory fee for refunding bonds will be 1.25% of the principal amount of the refunding bonds plus related expenses.

Ms. Williams presented and reviewed with the Board the Municipal Advisor Letter, a copy of which is attached hereto as Exhibit "H." Ms. Williams reported that Rathmann & Associates, L.P. has registered as a municipal advisor effective July 1, 2014. She said the Municipal Advisor Letter states that Rathmann & Associates, L.P. serves as a municipal advisor to the District.

Ms. Williams asked the Board to consider which underwriter to use for the Series 2015 Refunding Bonds. She reviewed with the Board the underwriters which underwrite the most municipal utility district bonds. Ms. Williams recommended SAMCO Capital Markets with RBC Capital Markets, LLC as co-underwriter. 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 SAMCO Capital Markets and RBC Capital Markets, LLC as the underwriters for the Refunding Bonds.

Ms. Williams explained that pursuant to Municipal Securities Rulemaking Board Rule G-17, underwriters must disclose to issuers their role in bond transactions. She reported that each underwriter provides a letter disclosing its role in the transaction. Ms. Williams presented to and reviewed with the Board the RBC Capital Markets disclosure letter, a copy of which is attached hereto as Exhibit "I."

Ms. Ellison presented to and reviewed with the Board the Order Authorizing the Issuance of Unlimited Tax Refunding Bonds, Series 2015, a Bond Purchase Agreement, a Transfer and Paying Agency Agreement, a Deposit Letter, and an Official Statement, and Authorizing the President or Vice President of the Board to Approve the Amounts, Interest Rates, Prices and Terms of the Bonds, and Other Matters in Connection Therewith (the "Order"), a copy of which is attached hereto as Exhibit "J." Ms. Ellison explained to the Board that the Order sets parameters for the sale of the bonds, so that Mr. Rathmann and the President or Vice President can proceed with the sale of the Bonds once the parameters are met. Ms. Ellison presented to and reviewed with the Board the Transfer and Paying Agency Agreement and a Deposit Letter, copies of which are attached hereto as Exhibits "K" and "L," respectively. Ms. Ellison 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 Henry, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the POS, to approve the Addendum, to approve the Municipal Advisor Letter, to authorize the President to acknowledge the underwriter disclosure letters from RBC Capital Markets and SAMCO Capital Markets, to adopt the Order, and to authorize the President or Vice President to sign the pricing documents if there is a minimum of 4% present value savings.

8. **Developers Report and reimbursement issues.** Ms. Stephenson reported that a new landscaper has been retained for maintenance of the Cymill Partners' property in the District.

Mr. Day reported that Cypress Landing East had seven new home sales in October and 109 to date.

9. **Authorize preparation of bond application.** Ms. Ellison asked the Board if it wanted to authorize DEC to prepare the next bond application to the Texas Commission on Environmental Quality ("TCEQ") for approval to reimburse the developers. 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 DEC to prepare the bond application to the TCEQ.

10. **Report on Homeowners Association matters, US 290 Noise Abatement Barrier, and authorization of maintenance on District properties; including possible landscaping at Cypress Ridge detention pond.** No action was taken on this item.

11. **Sydney Harbour Water Plant Expansion, including fencing and landscaping bids and award project.** The President recognized Ms. Lee, who presented to and reviewed with the Board the Water Plant No. 2 Proposed Landscape Improvements and cost estimate in the amount of \$123,819.58, a copy of which is attached hereto as Exhibit "M." The President reported that he provided the preliminary landscape design to the Sydney Harbour Homeowner Association ("HOA") which had some changes. Ms. Lee reported that the HOA requested that the flower bed be extended on the east side of the plant site and that some of the plant materials be changed. Ms. Lee reported that the pine trees on the east side of the plant will be retained. She reported that the pine trees on the south side will be removed for the ground storage tank construction. Ms. Lee reported that the landscape work will be undertaken all at one time. 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 Water Plant No. 2 Proposed Landscape Improvements and cost estimate in the amount of \$123,819.58 and to authorize Fencecrete to begin the fence work where possible.

12. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Drew, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "N." Ms. Drew noted that 0.30% of the District's 2014 taxes had been collected as of October 31, 2014.

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.

Ms. Ellison presented to and reviewed with the Board the Resolution Authorizing Request for Certificate of Estimated Assessed Valuation ("Resolution"), a copy of which is attached hereto as Exhibit "O." Ms. Ellison reported that the Resolution is for the Refunding Bonds and the bond application. 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 approve the Resolution.

13. **Bookkeeper's Report, payment of bills, review investment report and policy, review budget, and any necessary changes.** 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 "P." Ms. Austin reported that check nos. 10234 and 10235 to the TCEQ are for the annual wastewater system fee and water system fee. Ms. Austin reported receipt of an additional \$10,000 from KCS Construction for its annexation deposit.

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.

14. **Engagement letter for Bond Management Compliance Program for Series 2014 Bonds.** The President recognized Ms. Ellison, who reviewed with the Board the Engagement Letter from Arbitrage Compliance Specialists, Inc. for the Series 2014 Bonds, a copy of which is attached hereto as Exhibit "Q." She noted that an arbitrage rebate analysis is required by the tax covenants in the District's bond order.

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 execute the Engagement Letter authorizing Arbitrage Compliance Specialists, Inc. to prepare the District's Arbitrage Rebate Reports for the Series 2014 Bonds.

15. **Review of Post-Issuance Tax Exempt Bond Compliance.** Ms. Ellison reviewed with the Board the requirements for maintaining the tax-exempt status of the District's bonds. She presented to and reviewed with the Board the Arbitrage Rebate and Yield Restriction Compliance Report, a copy of which is attached hereto as Exhibit "R." She stated that the report was prepared by Arbitrage Compliance Specialists, which is engaged by the District to monitor the District's compliance with arbitrage rebate and yield restriction requirements. She said that the report indicated no Board action is required at this time.

16. **Operator's Report, authorization of maintenance and hearing on delinquent accounts.** The President recognized Mr. Oliver, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "S." Mr. Oliver reported that NTS repaired the Water Plant No. 1 booster motor pump and replaced the coupling. Mr. Oliver reported that the motor is now operating well.

Mr. Oliver reported that the programmable logic controller ("PLC") at the Wastewater Treatment Plant was issuing false alarms. He reported that NTS reprogrammed the PLC.

Mr. Oliver reported that Eagle Water repaired a resident's damaged water line on Thicket Hollow Lane. He reported that subsequently the resident's water heater leaked in his garage and the resident is blaming the District for the water leak. Mr. Oliver reported that Eagle Water informed the resident the leaking water heater is not related to the waterline repair.

Mr. Oliver reviewed the Disconnection List and Collection List with the Board.

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 Operations Report, to terminate the delinquent accounts in accordance with the Rate Order, and to authorize Eagle Water to turn the collection list accounts over to collections.

17. Engineer's Report and any necessary action regarding construction projects, detention pond maintenance, reimbursement agreements, grant of easements, issuance of unlimited tax bonds, preparation of annexation analyses. 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 "T."

Mr. Hirshman reported that two bids were received on November 13, 2014 for the Water Plant No. 2 Improvements. He reviewed with the Board the bid tabulation sheet, included in the Engineer's Report. Mr. Hirshman recommended award of the Water Plant No. 2 Improvements project to the low bidder, JTR Construction, in the amount of \$1,204,250. He noted that the contractor will retain the existing cedar fence where possible. The President reported that the HOA requested the ground storage tanks be painted sky blue. Mr. Hirshman stated that all of the new and existing facilities at Water Plant No. 2 will be painted, including inside and outside. Mr. Hirshman reported that the plat was recorded on November 13, 2014.

Mr. Hirshman reported that Eagle Water approved the Wastewater Treatment Plant Improvement plans. He reported that Eagle Water requested a blower which utilizes air bearing technology. Mr. Hirshman reported that these blowers are reported to be more efficient and quieter.

Mr. Hirshman reported receipt of the Brown & Gay Engineers Certificate of Completion for Cypress Landing East, Sections Six and Ten.

Mr. Hirshman reported that DEC revised the District boundary map for the Pulte Homes 40-acre tract annexation for Board signature.

Mr. Hirshman requested Board authorization for Pulte Homes to advertise for bids for mass clearing and grubbing and construction of water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section 11 and mass grading for the detention pond.

Mr. Hirshman reviewed with the Board the land plan for the 20 acre tract owned by KCS Construction. He reported that the land plan is similar to the original land plan provided by KCS Construction with commercial condominiums. The President stated that the District would need an agreement with KCS Construction that requires Board approval of any land plan change prior to proceeding with annexation. He stated that KCS Construction needs to finalize the land plan for the 20 acre tract. Ms. Ellison offered to provide an annexation and development agreement to KCS Construction which requires Board consent to any change in the land plan. It was the consensus of the Board to direct F&J to provide an annexation and development agreement to KCS Construction.

Mr. Hirshman reported that four bids were received for the Cypress Landing East mass clearing and grubbing. He recommended Board authorization for Pulte Homes to award the Cypress Landing East mass clearing and grubbing to the low bidder, K & K Tree Service, in the amount of \$96,545.50.

Mr. Hirshman reported receipt of a submerged storm sewer agreement from Harris County for Cypress Landing East, Section Eleven. He reported that the proposed agreement specifies that the District will own and maintain the submerged storm sewers. Mr. Hirshman stated that he has not seen the plans for Cypress Landing East, Section Eleven. Mr. Day reported that only the outfall is below the detention pond water line. The President stated

that the District engineer needs to see the plans before the Board can approve the proposed agreement.

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 Engineer's Report, to award the Water Plant No. 2 Improvements to JTR Construction in the amount of \$1,204,250; to authorize Pulte Homes to advertise for bids for mass clearing and grubbing and construction of water, sanitary sewer and drainage facilities to serve Cypress Landing East, Section 11 and mass grading for the detention pond; to authorize F&J to provide an annexation and development agreement to KCS Construction; and to authorize Pulte Homes to award the Cypress Landing East mass clearing and grubbing to K & K Tree Service in the amount of \$96,545.50.

18. Review bids and award contract for Water Plant No. 2 Improvements. This item was covered under the Engineer's Report.

19. Review bids and authorize Pulte Homes to award contract for mass clearing and grubbing for Cypress Landing East, Section 11 and mass grading for the detention pond. This item was covered under the Engineer's Report.

20. Review insurance proposals and renew District insurance. The President opened discussion to the Harco Insurance Services proposal and the Aquasurance proposal, copies of which are attached hereto as Exhibits "U" and "V," respectively.

Upon motion by Director Koehn, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to approve the HARCO Insurance Services proposal with the same coverage as this year.

21. Annexation requests of KCS Construction, Safesite, M/I Homes and any necessary action, including consideration of Annexation and Development Agreement with SafeSite. Ms. Ellison reported that M/I Homes expects to purchase the 40-acre tract in December.

Ms. Ellison presented to and reviewed with the Board the Annexation and Utility Development Agreement with Safesite, Inc., a copy of which is attached hereto as Exhibit "W." She reported that the Annexation and Utility Development Agreement requires Safesite to develop its property in accordance with the land plan attached as an exhibit to the agreement unless the Board consents to a change. Ms. Ellison requested authorization to provide the Annexation and Utility Development Agreement to Safesite, Inc.

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 F&J to provide the Annexation and Utility Development Agreement to Safesite, Inc.

22. Other Consultant and Director Reports. No action was taken on this item.

23. Next meeting date. The Board noted that the next regular monthly Board meeting will be held on December 19, 2014, at 11:00 a.m. at the offices of Norton Rose Fulbright, 1301 McKinney, Houston, Texas.

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

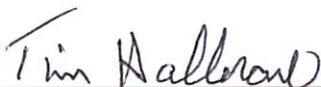
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The foregoing minutes were passed and approved by the Board of Directors on
December 19, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

