

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
August 15, 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 August 15, 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. Also attending all or portions of the meeting were Ms. Donna Bryant of Assessments of the Southwest, tax assessor-collector for the District; Mr. Tracy Riley 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; Ms. Juanita Orsak of Pulte Homes, developer of land in the District; Ms. Sherri Greenwood of BKD, LLP, auditor for the District; Mr. Nick Luton of Meritage Homes, developer of land in the District; Mr. Craig Rathmann of Rathmann & Associates, L.P., financial advisor 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 July 18, 2014.** The proposed minutes of the meeting of July 18, 2014, previously distributed to the Board, were presented for review and approval. 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 minutes of July 18, 2014, as presented.

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

Director Bryant reported that Ms. Loughlin reported that the Cypress Mill Park 2 detention pond was becoming overgrown. Director Bryant reported that Mr. Hirshman contacted Storm Water Solutions regarding maintenance of the detention pond.

Director Bryant reported that Mr. Guzman reported that the Cypress Mill Park 2 detention pond irrigation system in the area of Creek Mill Court is not functioning and that the landscaping and trees are dying. The President reported that he contacted Greenpros and that Greenpros is working to resolve the irrigation issue.

Director Bryant reported that Mr. Novelli asked if there is any discount for seniors. He reported that Ms. Bryant informed Mr. Novelli of the over-65 tax exemption.

3. **Security report.** Director Henry reported that the Constable West District Patrol--Cypress Station Grand Opening on August 14, 2014, was well attended. Director Henry reported that he met the security directors for Fairfield and Harris County Municipal Utility District No. 391. He reported that the Fairfield security director stated that Fairfield would be paying the District's invoice for the T1 line within the next two weeks.

Director Halloran joined the meeting.

Director Henry reviewed with the Board the Security Report for the month of July, a copy of which is attached hereto as Exhibit "B." He reported that there were a significant number of calls for Wal-Mart.

4. **Developers Report and reimbursement issues.** Mr. Luton reported that there were 52 new home sales in Cypress Landing Park so far this year, with 39 closed. He reported that homes sales in Cypress Landing Park, Section Four, are robust, with 17 homes already sold.

Ms. Stephenson reported that negotiations are underway for the sale of the 3.7 acre tract.

5. **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.** The President reported that he met with KGA DeForest Design regarding the Water Plant No. 2 and Cypress Ridge detention pond landscaping. He reported that KGA DeForest Design is preparing plans for the Board's consideration.

6. **Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** Mr. Hirshman reported receipt of the Water Plant No. 2 plans from the City of Houston.

7. **Tax Assessor-Collector's Report, payment of bills and any necessary action on delinquent accounts, including water termination.** The President recognized Ms. Bryant, who presented to and reviewed with the Board the Tax Assessor-Collector's Report, a copy of which is attached hereto as Exhibit "C." Ms. Bryant noted that 99% of the District's 2013 taxes had been collected as of July 31, 2014.

Upon motion by Director Bryant, seconded by Director Rucker, 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.

8. Depository Pledge Agreement with Wells Fargo Bank (tax account). The President recognized Ms. Bryant, who reported that Wells Fargo Bank, N.A. has requested that the District approve a new Depository Pledge Agreement to accommodate a change in the custodial bank from the Federal Reserve Bank to The Bank of New York Mellon Trust Company, N.A.

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 Depository Pledge Agreement with Wells Fargo Bank, N.A. and The Bank of New York Mellon Trust Company, N.A. as the custodial bank.

9. 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 "D." Ms. Austin reported receipt of payment from Harris County Municipal Utility District No. 69 for the Constable's T1 line.

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

10. Authorize engagement of auditor for Developer Reimbursement Audit. Ms. Greenwood stated that a developer reimbursement audit is required to enable the District to reimburse the developers with proceeds of its upcoming bond issue. Ms. Greenwood presented to and reviewed with the Board a proposal to prepare the developer reimbursement audit, a copy of which is attached hereto as Exhibit "E."

Upon motion by Director Bryant, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to engage BKD to prepare the developer reimbursement audit.

11. Approve Continuing Disclosure Report and Authorize Filing. The President recognized Ms. Ellison, who presented to and reviewed with the Board the Resolution of the Board of Directors of the District Approving Continuing Disclosure Materials and the Annual Report on Financial Information and Operating Data ("Continuing Disclosure Report"), a copy of which is attached hereto as Exhibit "F." Ms. Ellison reported that the Continuing Disclosure Report is an annual requirement which updates bondholders on the status of the District and includes the audit. She reported that Ms. Amy Lewis from Rathmann & Associates prepared the Continuing Disclosure Report and F&J reviewed it.

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 Continuing Disclosure Report and authorize its filing.

12. Operator's Report, authorization of maintenance and hearing on delinquent accounts. The President recognized Mr. Riley, who presented to and reviewed with the Board the Operations Report, a copy of which is attached hereto as Exhibit "G." Upon

review of the Water Production Report, Mr. Hirshman reported that the Mueschke Road median irrigation system operated for longer than necessary. Ms. Orsak stated that she is working to resolve irrigation issues on the Mueschke Road median.

Mr. Riley reviewed the Disconnection List with the Board. Mr. Riley noted that the customer with a balance of \$874 is a new customer and this is a total of the two first bills.

Mr. Riley reported the Wastewater Treatment Plant digester blower failed. He reported that there are two blowers and that usually Eagle Water rotates use of the blowers. Mr. Riley reported that the blower repair cost estimate is \$10,000. Mr. Riley reported that he is trying to avoid paying for a repair on equipment that will be removed as part of the upcoming Wastewater Treatment Plant Improvements. Mr. Riley stated that he is researching whether a blower may be rented from NTS, if needed. He requested Board authorization to proceed with the blower repair if Eagle Water cannot rent a blower. 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 repair of the blower if Eagle Water cannot rent a blower.

Upon motion by Director Bryant, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Operations Report and to terminate the delinquent accounts in accordance with the Rate Order.

13. 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 "H."

Mr. Hirshman reported on the plans for improvements at Water Plant No. 1 and Water Plant No. 2. He reported that DEC revised the plans to address the City of Houston comments.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans were submitted to the agencies. He reported that DEC is incorporating Mr. Riley's comments.

Mr. Hirshman reported receipt of the Texas Commission on Environmental Quality approval for issuance of the Series 2014 Bonds.

Mr. Hirshman recommended payment of Pay Estimate No. 2 from Jaho, Inc. in the amount of \$8,831.20 for the utilities construction to serve Cypress Landing Park, Section Four.

Mr. Hirshman reported that DEC is preparing the District boundary map for the KCS Construction 20 acre, Safe Site 40 acre, M/I Homes 40 acre tract and Pulte Group 40 acre tract proposed annexations.

Mr. Hirshman reviewed with the Board the potential reimbursement obligations which would result from reimbursing developers of land in the areas proposed for annexation and the amount of the District's unissued bond authorization. Mr. Hirshman reported that most of the District's remaining bond authorization will be utilized if the District issues bonds to reimburse developers in the areas proposed for annexation.

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 Engineer's Report, and to approve payment of Pay Estimate No. 2 from Jaho, Inc. in the amount of \$8,831.20 for the utilities construction to serve Cypress Landing Park, Section Four.

14. Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a Preliminary Official Statement and Authorizing Publication of Notice of Sale. The President recognized Mr. Rathmann, who presented to and reviewed with the Board a draft Preliminary Official Statement ("POS") and Notice of Sale for the proposed sale of the District's Unlimited Tax Bonds, Series 2014, a copy of which is attached hereto as Exhibit "I." Mr. Rathmann reported that the Texas Commission on Environmental Quality approved the issuance of \$3,925,000 in bonds. He informed the Board that the POS would be used to market the District's bonds. Mr. Rathmann stated that the Board will receive bids to buy the Bonds on September 24, 2014, at 3:30 p.m. at a special Board meeting.

Ms. Ellison presented to and reviewed with the Board the Order Adopting and Authorizing Official Notice of Sale and Bid Form, Authorizing Distribution Thereof and of a POS and Authorizing Publication of Notice of Sale ("Authorizing Order"), 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 POS, the Notice of Sale, and the Authorizing Order.

15. Annexation Agreement with Pulte Homes, and other documents pertaining to annexation of 40 acres. The President recognized Ms. Ellison, who presented to and reviewed with the Board an Annexation and Utility Development Agreement with Pulte Homes of Texas, L.P., a copy of which is attached hereto as Exhibit "K." Ms. Orsak said her attorney had reviewed the agreement and she had two proposed changes to the Agreement: that the District treat the proposed annexed area as part of Cypress Landing East so that the value of both areas would be considered to support bond reimbursement to Pulte, and that the District take over maintenance of the detention pond rather than the homeowner's association. The President stated that the District had established a precedent of evaluating a tract to be annexed on a stand-alone basis, so he would not be in favor of aggregating the value in the proposed annexed area with Cypress Landing East. Ms. Ellison stated that because the detention pond in the proposed annexed area is a combined detention/amenity feature, she treated it the same way as the Sydney Harbour detention/amenity features, which are maintained by the Sydney Harbour homeowners' association. Upon motion by Director Halloran, seconded by Director Bryant, after full discussion and the question being put to the Board, the Board voted unanimously to approve the Annexation and Utility Development Agreement with Pulte Homes of Texas, L.P., as presented.

16. Annexation requests of KCS Construction, SafeSite, M/I Homes and any necessary action. No action was taken on this item.

17. Effluent Water Use Agreement with Cypress Lakes Management, LLC. No action was taken on this item.

18. **Water Users Coalition request and any necessary action.** The President opened discussion to the Water Users Coalition letter dated July 24, 2014, a copy of which is attached hereto as Exhibit "L." No action was taken on this item.

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

20. **Next meeting date.** The Board noted that the next regular monthly Board meeting will be held on September 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
September 19, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

