

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
July 18, 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 July 18, 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; Mr. Bill Hixon of Cymill Partners, developer of land in the District; Ms. Juanita Orsak and Mr. Brian Munger of Pulte Homes, developers of land in the District; Mr. Jim Moore of First General Realty; 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 June 20, 2014.** The proposed minutes of the meeting of June 20, 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 June 20, 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 Mr. White complained that the District's payment options did not include use of a Visa credit card. Mr. Riley reported that Eagle Water contacted Mr. White to discuss payment options.

Director Bryant reported that Mr. Xion requested that the water pressure at his residence be checked because it is not 50 pounds per square inch ("psi"). Mr. Hirshman reported that the minimum water pressure requirement is 35 psi. Director Bryant reported that Mr. Xion noted that his water pressure was 40 psi. Mr. Riley reported that a ticket was generated to investigate the resident's water pressure and he believed the issue was resolved. Mr. Riley stated that he would confirm the issue was resolved.

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

Director Henry reported that Ms. Austin distributed the T1 line invoices to Harris County Municipal Utility District No. 69 and the Fairfield Homeowners Association ("Fairfield"). He reported that initially Fairfield stated that the expense was not approved. Director Henry reported that Sergeant Blackledge contacted Fairfield and reminded Fairfield that approval of the T1 line contribution was noted in the meeting minutes. He reported that Fairfield will pay the invoice.

4. **Developers Report and reimbursement issues.** Ms. Orsak reported that new home sales in Cypress Landing are very good. She reported that the contractor is completing the street paving in Cypress Landing, Sections Six and Ten.

Mr. Hixon reported that he has two letters of intent for purchase of the 3.7 acre lot. Mr. Hixon reported that a lift station will be needed to provide sanitary sewer service to the tract. He reported that Mr. Hirshman has proposed a lift station that will cost less than \$100,000 which would be a private facility not reimbursable by the District. Mr. Hixon reported that the District's waterline will have to be extended around the tract, and the costs to do so would be reimbursable by the District. Mr. Hirshman stated that there is a fire hydrant on the 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.** No action was taken on this item.

6. **Sydney Harbour Water Plant Expansion, including status of lot, fencing and landscaping proposal/cost estimate.** No action was taken on this item.

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 June 30, 2014.

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.

8. **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 a \$15,000 deposit from Pulte Homes for the feasibility study for the annexation of a 40 acre tract adjacent to Cypress Landing.

Ms. Austin reported that the City of Houston mistakenly made duplicate payments in March and April to entities with Strategic Partnership Agreements ("SPA") with the City of Houston. She reported that the City of Houston will deduct the overpayment from future SPA payments to the District.

Ms. Austin reviewed the Quarterly Investment Report with the Board, included in the Bookkeeper's Report.

Upon motion by Director Henry, seconded by Director Rucker, after full discussion and the question being put to the Board, the Board voted unanimously to accept the Bookkeeper's Report, to authorize payment of the checks listed therein, and to approve the Quarterly Investment Report.

9. Arbitrage Compliance Specialists engagement letters for the District's Series 2004 Bonds and Bond Management Compliance Program for the District's Series 2014 Bonds. Ms. Ellison presented to and reviewed with the Board the engagement letters with Arbitrage Compliance Specialists for the District's Series 2004 Bonds, and Bond Management Compliance Program for the District's Series 2014 Bonds, copies of which are attached hereto as Exhibits "E," and "F," respectively.

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 engagement letters with Arbitrage Compliance Specialists for the District's Series 2004 Bonds, and Bond Management Compliance Program for the District's Series 2014 Bonds.

10. 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."

Mr. Riley reviewed the Disconnection List with the Board.

Mr. Riley reported that a resident whose house is on the south side of the District's Wastewater Treatment Plant contacted Eagle Water regarding removal of the tall vegetation along the fence line. He reported that the vegetation was cleared out about two to three years ago. Mr. Riley requested Board authorization to notify the site landscaper to cut back the vegetation along the fence line at the Wastewater Treatment Plant on a routine basis. He noted that there are tree stumps in the vegetation which make routine clearing difficult because the clearing cannot be done by equipment. The Board instructed Mr. Hirshman to have the tree stumps removed when the contractors are working on the Wastewater Treatment Plant Improvement project and authorized Mr. Riley to notify the site landscaper to clear the area along the fence line on a routine basis.

Mr. Riley reported that Eagle Water has received a few resident calls regarding tall grass in the areas maintained by Storm Water Solutions. The President stated that he would contact Storm Water Solutions to confirm they are mowing on schedule and that the tall grass is due to the rainfall.

Upon motion by Director Henry, 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.

11. **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 the City of Houston requires 20 feet between the ground storage tanks and any structure. Mr. Hirshman stated that this will change the configuration of the improvements at Water Plant No. 2. The President asked for a site plan.

Mr. Hirshman reported that the Wastewater Treatment Plant Improvement plans were submitted to the agencies. He reported that DEC is addressing the City of Houston comments on the plans. Mr. Hirshman reported that the plans will be provided to Eagle Water for review.

Mr. Hirshman reported that the Bond Application Report for the Series 2014 Bonds in the amount of \$4,000,000 was submitted to the Texas Commission on Environmental Quality ("TCEQ").

Mr. Hirshman recommended payment of Pay Estimate No. 3 from Jaho, Inc. in the amount of \$11,416.62 for the utilities construction to serve Cypress Landing East, Sections Six and Ten.

Mr. Hirshman reported that DEC is preparing the District boundary map for the 20 acre and 40 acre (Safe Site) annexations. Mr. Hirshman reported that the M/I Homes 40 acre tract and the Pulte Group 40 acre tract will be added to the District boundary map for annexation.

Mr. Hirshman reported that the President and he met with the U.S. Highway 290 engineers to discuss the proposed noise barrier. He reviewed with the Board the map of the proposed location of the U.S. Highway 290 Noise Wall on the north side in Segment 9, included in the Engineer's Report. Mr. Hirshman reported that the Texas Department of Transportation ("TXDOT") will replace the existing fence if it obtains the homeowner's consent. He reported that the noise barrier will be installed behind the lift station and along the pipeline easement on the north side of the 3.7 acre tract owned by Cymill Partners. Mr. Hirshman reported that construction may begin early in 2015. The President reported that TXDOT did not receive homeowner permission for installation of the noise barrier behind the commercial area at Cypress-Rosehill Road so that installation is not planned at this time. He reported that TXDOT will also require a temporary construction access easement for the noise barrier installation. The President reported that the form of homeowner consent needs to be clarified by TXDOT. He noted that there will be an expense to connect the noise barrier to the homeowner side fences and that it is not clear who will pay that expense.

Mr. Hirshman reviewed with the Board the District utility capacity chart, included in the Engineer's Report. He projected that the District will have allocated 3,680 equivalent single family connections ("ESFC"), which is the maximum number of ESFC permitted by the elevated storage tank waiver approved by the Texas Commission on Environmental Quality ("TCEQ"), after annexation of the 20 acre tract on Mueschke Road, the SafeSite 40 acre tract, the M/I Homes 40 acre tract and the Pulte Homes 40 acre tract. He reported that the District may approach the TCEQ for a new elevated storage tank waiver; however, obtaining a new

waiver could be difficult. Mr. Riley noted that the District has generators and interconnects that did not exist when the TCEQ granted the waiver in 2008.

Mr. Hirshman reported on the feasibility of annexation of the 40 acre tract requested by Pulte Homes. He said that he expects the lift station at Mueschke Road and Cypress Landing Park should suffice to manage the additional flow from the proposed annexation. He reported that whether the sanitary sewer lines in Cypress Landing Park have adequate capacity for the additional flow from the proposed annexation needs to be confirmed by Pulte Homes. Ms. Orsak requested a commitment by the District that it will proceed with the proposed 40 acre annexation so that Pulte Homes may proceed with the land purchase on July 28, 2014, as planned. Mr. Hirshman stated that the District's financial advisor needs to know the cost of facilities which would be reimbursed to Pulte Homes by the District and the proposed land values. Ms. Orsak stated that she would provide the required information to the District's financial advisor.

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 approve payment of Pay Estimate No. 3 from Jaho, Inc. in the amount of \$11,416.62 for the utilities construction to serve Cypress Landing East, Sections Six and Ten, and to approve proceeding with the annexation of the 40 acre tract owned by Pulte Homes if the District's financial advisor deems it economically feasible.

12. Sydney Harbour Homeowner Association request for coordination of policies on fourteen foot drainage easement. Ms. Ellison reported that she discussed the District's drainage easement in Sydney Harbour with the attorney for the Sydney Harbour Homeowner Association ("Sydney Harbour HOA"). She reported that according to the HOA attorney, the developer still has architectural review powers in Sydney Harbour and that the HOA has no power over developer construction in Sydney Harbour. Ms. Ellison reported that the HOA attorney believes that the HOA cannot consent to encroachments in the 14 foot drainage easement. Ms. Ellison stated that she is working with the HOA attorney to make sure residents know about the District's policy on encroachments in the 14 foot drainage easement when they are in the early stages of making improvements to their lots.

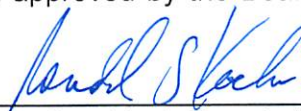
13. Other Consultant and Director Reports. Ms. Ellison reported on the Securities and Exchange Commission's ("SEC") Continuing Disclosure Cooperation Initiative. She reported that each underwriter is reviewing all securities it underwrote in the last five years and can self-report any failure on its part to check issuer compliance with its continuing disclosure obligation. She said the deadline for such reporting was September 10, 2014. Ms. Ellison reported that issuers may also self-report any non-compliance to the SEC. She reported that the SEC will not impose a fine upon issuers for self-reporting non-compliance. Ms. Ellison reported that she spoke with Amy Lewis at Rathmann & Associates regarding the District's continuing disclosure filings.

14. Next meeting date. The Board noted that the next regular monthly Board meeting will be held on August 15, 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.

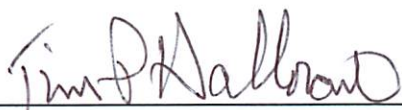
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The foregoing minutes were passed and approved by the Board of Directors on
August 15, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)

