

MINUTES OF MEETING OF BOARD OF DIRECTORS
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
September 24, 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 special session, open to the public at the offices of the Harris County Constable, Precinct 4, West District Patrol – Cypress Station, 14954 Mueschke Road, Cypress, Texas 77433, on September 24, 2014, at 3:30 p.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. Ryan Day of Pulte Homes, developer of land in the District; Mr. Craig Rathmann of Rathmann & Associates, L.P., the 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. **Review bids and award sale of bonds.** Mr. Rathmann submitted to the President the bid results for the Unlimited Tax Bonds, Series 2014 (the "Bonds"), a copy of which is attached hereto as Exhibit "B." Mr. Rathmann reported that seven bids were received.

Mr. Rathmann advised the Board that the bids had been verified and recommended that the Board accept the low bid from Raymond James & Associates, Inc., at a net effective interest rate of 3.984298%. He reported that the bidder chose to purchase bond insurance from Municipal Assurance Corp.

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 bid from Raymond James & Associates, Inc.

2. **Order Authorizing \$3,925,000 Unlimited Tax Bonds, Series 2014, a Transfer and Paying Agency Agreement, an Official Statement and Other Matters in Connection Therewith.** The President recognized Ms. Ellison, who presented to and reviewed

with the Board the Order Authorizing \$3,925,000 Unlimited Tax Bonds, Series 2014, a Transfer and Paying Agency Agreement, and an Official Statement (the "Order"), a copy of which is attached hereto as Exhibit "C." Ms. Ellison presented to and reviewed with the Board the Transfer and Paying Agency Agreement, a copy of which is attached hereto as Exhibit "D." 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 Rucker, seconded by Director Henry, after full discussion and the question being put to the Board, the Board voted unanimously to adopt the Order.

3. Consider Financial Advisor's tax rate recommendations and Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2014. The President recognized Mr. Rathmann, who presented to and reviewed with the Board the recommendation for the 2014 tax rate, a copy of which is attached hereto as Exhibit "E." Mr. Rathmann recommended a debt tax rate of \$0.55 per \$100 assessed valuation to provide the District with sufficient funds to make debt service payments. He reported that the developer incentive contract tax rate may be decreased to \$0.11 per \$100 assessed valuation. He stated that the average home value increased. Mr. Rathmann reviewed the District's fund balances and budget.

Ms. Ellison presented to and reviewed with the Board the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2014, a copy of which is attached hereto as Exhibit "F." Ms. Ellison noted that the Order authorizes the tax assessor's office to publish a notice of the proposed tax rate and a public hearing with respect to the tax rate.

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 propose a total tax rate of \$0.87 per \$100 assessed valuation, with \$0.55 for debt service, \$0.21 for maintenance and operating expenditures, and \$0.11 for the developer incentive fee, to approve the Order Designating Officer to Calculate and Publish Tax Rates and Taking Other Actions in Connection with the Levy of a Tax for 2014 and to authorize the District's tax assessor collector to publish the proposed tax rate.

4. Order authorizing application for approval by Texas Commission on Environmental Quality for release of escrowed funds for Wastewater Treatment Plant Expansion, Phase 3. The President opened discussion to the Order Authorizing Application for Approval by the TCEQ for Release of Escrowed Funds for Wastewater Treatment Plant Expansion, Phase 3 ("Order"), a copy of which is attached hereto as Exhibit "G." Ms. Ellison stated that this Order is to release the escrowed funds for the Wastewater Treatment Plant Expansion, Phase 3. 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 Order.

5. Review annexation requests and any necessary action in connection therewith. Ms. Ellison reported that M/I Homes does not expect to purchase the 40 acre tract until November. She asked the Board if it wanted to proceed with the Pulte Homes 40 acre annexation at this time rather than waiting for the M/I Homes annexation and handling the two

annexations together. It was the consensus of the Board to proceed with the Pulte Homes annexation.

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
October 17, 2014.



President, Board of Directors

ATTEST:



Secretary, Board of Directors

(DISTRICT SEAL)