

This Official Notice of Sale does not alone constitute an offer to sell, but is merely notice of sale of the bonds described herein. The offer to sell such bonds is being made by means of this Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement.

OFFICIAL NOTICE OF SALE

\$4,550,000

CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas
located within Harris County)

**UNLIMITED TAX BONDS
SERIES 2012**

Bids Due: 12:00 Noon, Houston Time, Thursday, April 19, 2012
Bonds Awarded: 1:30 P.M., Houston Time, Thursday, April 19, 2012

This Official Notice of Sale does not alone constitute an invitation for bids, but is merely notice of sale of the bonds described herein. The invitation for such bids is being made by means of this Official Notice of Sale, the Official Bid Form and the Official Statement.

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CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1

(A political subdivision of the State of Texas located within Harris County, Texas)

UNLIMITED TAX BONDS

SERIES 2012

BONDS OFFERED FOR SALE AT COMPETITIVE BID: The Board of Directors (the "Board") of Cypress Hill Municipal Utility District No. 1 (the "District") is offering for sale at competitive bid \$4,550,000 Unlimited Tax Bonds, Series 2012 (the "Bonds"). Options to submit bids on the Bonds are only the following:

- (1) Deliver bids directly to the District as is described below under the caption "Sealed Bids Delivered to the District";
- (2) Submit bids electronically as is described below under the caption "Electronic Bidding Procedures";
or
- (3) Submit bids by telephone as is described below under the caption "Bids by Telephone."

The District will not accept bids submitted by facsimile.

PLACE AND TIME OF BID OPENING: The District will open sealed bids for the purchase of the Bonds on Thursday, April 19, 2012, at 1:30 P.M., Houston Time, at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, 47th Floor, South Conference Room, Houston, Texas 77010. The bids for the Bonds will be opened and publicly read by Rathmann & Associates, L.P., the District's Financial Advisor and authorized representative of the Board. The Board will then take action to reject the bids or accept the bid that produces the lowest net effective interest rate for the Bonds. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

SEALED BIDS DELIVERED TO THE DISTRICT: Sealed bids, which must be submitted in duplicate executed by an authorized representative of the bidder on the Official Bid Form and plainly marked "Bid for Bonds," are to be addressed to "President and Board of Directors, Cypress Hill Municipal Utility District No. 1" and delivered to the District in care of Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024, prior to 12:00 Noon, Houston Time, on Thursday, April 19, 2012. Any bid received after such scheduled time for bid opening will not be accepted.

ELECTRONIC BIDDING PROCEDURES: Any prospective bidder that intends to submit an electronic bid must submit its electronic bid through the facilities of PARITY by 12:00 Noon, Houston Time, on Thursday, April 19, 2012. No bid will be accepted after the time for receiving bids specified above. Bidders must submit to R. Craig Rathmann, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024, prior to 5:00 P.M., Houston Time, on Wednesday, April 18, 2012, two signed original Official Bid Forms executed as described above under "Sealed Bids Delivered to the District." Subscription to i-Deal LLC's BIDCOMP Competitive Bidding System is required in order to submit an electronic bid. Neither the District nor Rathmann & Associates, L.P. will confirm any subscription nor be responsible for the failure of any prospective bidder to subscribe.

An electronic bid made through the facilities of PARITY shall be deemed an irrevocable offer to purchase the Bonds under the terms expressed in this Official Notice of Sale, and shall be binding upon the bidder as if made by a signed, sealed bid delivered to the District. Neither the District nor Rathmann & Associates, L.P. shall be responsible for any malfunction or mistake made by, or as a result of, the use of the facilities of PARITY, the use of such facilities being at the sole risk of the prospective bidder.

If any provisions of this Official Notice of Sale conflict with information provided by PARITY as the approved provider of electronic bidding services, this Official Notice of Sale shall control. Further information about PARITY, including any fee charged, may be obtained from PARITY Customer Support, 40 West 23rd Street, 5th Floor, New York, New York 10010, telephone: (212) 806-8304.

For purposes of any and all bids submitted to the District, the time as maintained by PARITY shall constitute the official time. For informational purposes only, bidders are requested to state in their electronic bids the net interest cost to the District, as described under “CONDITIONS OF SALE - BASIS OF AWARD” below. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and Official Bid Form.

BIDS BY TELEPHONE: Bidders must submit two signed original Official Bid Forms executed by an authorized representative of the bidder to the District’s Financial Advisor, R. Craig Rathmann, Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024 prior to 5:00 P.M., Houston, Time, on Wednesday, April 18, 2012, executed as described above under “Sealed Bids Delivered to the District.” Bidders who have provided signed bid forms may make bids by telephone pursuant to arrangements made with R. Craig Rathmann, Rathmann & Associates, L.P., but no later than 12:00 Noon, Houston Time, Thursday, April 19, 2012. Inquiries with respect to this procedure may be directed to R. Craig Rathmann, Rathmann & Associates, L.P. at (713) 751-1890.

DISCLAIMER OF RESPONSIBILITY: *Neither the District nor Rathmann & Associates, L.P. will be responsible for the submission of any bid(s) received after the filing deadline, nor does the District or Rathmann & Associates, L.P. assume any responsibility or liability with respect to any irregularities or errors associated with the submission of any bid.*

AWARD AND SALE OF THE BONDS: The Board will take action to reject the bids or accept the bid that produces the lowest net effective interest rate for the Bonds at a meeting to be held at the offices of Fulbright & Jaworski L.L.P., 1301 McKinney, 47th Floor, South Conference Room, Houston, Texas 77010, at 1:30 P.M., Houston Time, Thursday, April 19, 2012. The District will take action to adopt a resolution (the “Bond Resolution”) authorizing the issuance and awarding sale of the Bonds or will reject all bids promptly after the opening of bids. The Board reserves the right to reject any or all bids and to waive any irregularities, except time of filing.

THE BONDS

DESCRIPTION OF CERTAIN TERMS OF THE BONDS: The Bonds will be dated May 1, 2012, with interest payable on March 1, 2013 (ten-month interest payment), and on each September 1 and March 1 thereafter until the earlier of maturity or prior redemption. The Bonds will be initially registered in the name of and delivered only to Cede & Co., nominee of The Depository Trust Company (“DTC”) in New York, New York pursuant to the Book-Entry-Only System described herein. Beneficial ownership of the Bonds may be acquired in denominations of \$5,000 or integral multiples thereof. No physical delivery of the Bonds will be made to the owners thereof. So long as Cede & Co. is the registered owner of the Bonds, principal of and interest on the Bonds will be paid by The Bank of New York Mellon Trust Company, N.A., in Dallas, Texas, the paying agent/registrar (hereinafter sometimes called the “Paying Agent,” the “Paying Agent/Registrar,” or the “Registrar”) to Cede & Co., which will make distribution of the amounts so paid to the participating members of DTC for subsequent payment to the beneficial owners of the Bonds. The Bonds will mature serially on September 1 in the following years and amounts:

<u>Maturity</u>	<u>Principal Amount</u>
2025*	\$ 75,000
2026*	75,000
2027*	75,000
2028*	75,000
2029*	75,000
2030*	100,000
2031*	100,000
2032*	100,000
2033*	100,000
2034*	100,000
2035*	800,000
2036*	1,400,000
2037*	1,475,000

- * At the option of the Underwriter (hereinafter defined) as specified in the Official Bid Form, any or all of such maturities may be designated as term bonds subject to mandatory sinking fund redemption provided that the mandatory sinking fund amount in each year shall equal the amounts shown above as maturing in such year.

The Bonds are subject to redemption and payment, at the option of the District, in whole or, from time to time, in part, on September 1, 2019, or on any date thereafter, at a price equal to the principal amount thereof, plus accrued interest thereon to the date fixed for redemption. If less than all the Bonds are redeemed at any time, the District shall determine the maturity or maturities and the amounts thereof to be redeemed in integral multiples of \$5,000 in principal amount, and if less than all of the Bonds within a maturity are to be redeemed, the Registrar shall designate by method of random selection the Bonds within such maturity to be redeemed (or by DTC in accordance with its procedures while the Bonds are in book-entry-only form). The Registered Owner of any Bond, all or a portion of which has been called for redemption, shall be required to present such Bond to the Registrar for payment of the redemption price on the portion of the Bond so called for redemption and issuance of an exchange Bond in a principal amount equal to the portion of the Bond not so redeemed.

SECURITY FOR PAYMENT: The Bonds, when issued, will constitute valid and binding obligations of the District, payable as to principal and interest from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District.

OTHER TERMS AND COVENANTS: Other terms of the Bonds and the various covenants of the District contained in the Bond Order are described in the Preliminary Official Statement dated March 16, 2012, to which reference is made for all purposes.

MUNICIPAL BOND GUARANTY INSURANCE AND RATING: Applications have been made to Assured Guaranty Corp. (“AGC”) and Assured Guaranty Municipal Corp (“AGM”) to issue a commitment for municipal bond guaranty insurance on the Bonds. The purchase of such insurance, if available, and payment of all associated costs, including the premium charged by the insurer, and fees charged by any rating companies other than Standard & Poor's Rating Services (“Standard & Poor's”), a Standard & Poor's Financial Services LLC business, will be at the option and expense of the Underwriter. The Underwriter understands, by submission of its bid, that the Underwriter is solely responsible for the selection of any insurer and for all negotiations with (i) the insurer as to the premium to be paid, and (ii) the insurer and any and all rating companies as to selection of such rating companies, the ratings to be assigned the Bonds as a consequence of the issuance of the municipal bond guaranty insurance policy, and the payment of fees in connection with such ratings except the Standard & Poor's rating fees as described below. Standard & Poor's has assigned an underlying rating of “BBB+” (stable outlook) to the District's credit. If the Underwriter chooses to purchase municipal bond guaranty insurance on the Bonds, separate rating(s), including a rating by Standard & Poor's, may at the election of the Underwriter be assigned the Bonds based upon the understanding that upon delivery of the Bonds a guaranty insurance policy insuring the timely payment of the principal of and interest on the Bonds will be issued by the insurer. The

District will pay the cost of both the underlying rating of Standard & Poor's and the Standard & Poor's rating associated with the guaranty insurance policy issued relating to the Bonds, if the latter is elected to be used by the Underwriter. As is stated in this Official Notice of Sale under the caption "NO MATERIAL ADVERSE CHANGE," if the Underwriter elects to purchase municipal guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

CONDITIONS OF SALE

TYPES OF BIDS AND INTEREST RATES: The Bonds will be sold in one block on an "all or none" basis at a price of not less than 97% of the principal amount thereof, plus accrued interest from the date of the Bonds to the date of delivery. Bidders are to name the rates of interest to be borne by the Bonds, provided that each interest rate bid must be a multiple of 1/8th or 1/20th of 1%. All Bonds maturing within a single year must bear the same rate of interest. The net effective interest rate on the Bonds may not exceed 6.08% as calculated pursuant to Chapter 1204, Texas Government Code, as amended. No limitation will be imposed upon bidders as to the number of rates which may be used, but the highest rate bid may not exceed the lowest rate bid by more than 2-1/2% in interest rate. No bids involving supplemental interest payments or zero interest rates will be considered. Each bid shall indicate the total and net interest costs in dollars and the net effective interest rate determined therefrom, which shall be considered informative only and not as a part of the bid.

BASIS OF AWARD: For the purpose of awarding sale of the Bonds, the total interest cost of each bid will be computed by determining, at the rates specified therein, the total dollar value of all interest on the Bonds from the date thereof to their respective maturities, and adding thereto the dollar amount of the discount bid, if any, or deducting therefrom the premium bid, if any. Subject to the District's right to reject any or all bids, sale of the Bonds will be awarded to the bidder (the "Underwriter" or the "Initial Purchaser") whose bid, under the above computation, produces the lowest net interest cost to the District. The Board reserves the right to reject any or all bids. In the event of mathematical discrepancies between the interest rate(s) bid and the interest cost determined therefrom, as both appear on the Official Bid Form, the bid will be governed solely by the interest rate(s) bid.

GOOD FAITH DEPOSIT: Each bid must be accompanied by a bank cashier's check payable to the order of "Cypress Hill Municipal Utility District No. 1" in the amount of \$91,000, which is 2% of the principal amount of the Bonds (the "Good Faith Deposit"). The check of the Underwriter will be considered as the Good Faith Deposit and will be retained uncashed by the District pending the Underwriter's compliance with the terms of the bid. In the event the Underwriter should fail or refuse to take up and pay for the Bonds in accordance with such terms, then the Good Faith Deposit will be cashed and the proceeds accepted by the District as full and complete liquidated damages. The Good Faith Deposit may accompany the bid or it may be submitted separately; if submitted separately, it shall be made available to the District prior to the opening of the bids and shall be accompanied by instructions from the bank on which it is drawn which authorize its use as the Good Faith Deposit of bidders named in such instructions. The Good Faith Deposit of the Underwriter will be returned to the Underwriter uncashed on the date of delivery of the Bonds. No interest will be credited on the Good Faith Deposit. The checks accompanying all other bids will be returned immediately after the bids are opened and the award of the sale of the Bonds has been made.

DELIVERY OF THE BONDS AND ACCOMPANYING DOCUMENTS

DELIVERY OF INITIAL BONDS: Delivery will be accomplished by the issuance of one Bond for each maturity (the "Initial Bonds"), exchangeable as set forth below. Unless otherwise agreed with the Underwriter, delivery will be at the corporate trust office of the Registrar in Dallas, Texas. Payment for the Bonds must be made in immediately available funds for unconditional credit to the District, or as otherwise directed by the District. The Underwriter will be given five (5) business days' notice of the time fixed for delivery of the Bonds. It is anticipated that initial delivery can be made on or about May 16, 2012, and subject to the aforesaid notice, it is understood and agreed that the Underwriter will accept delivery and make payment for the Initial Bonds by 10:00 A.M., Houston Time, on May 16, 2012, or thereafter

on the date the Initial Bonds are tendered for delivery, up to and including June 18, 2012. If for any reason the District is unable to make delivery on or before June 18, 2012, the District immediately shall contact the Underwriter and offer to allow the Underwriter to extend its offer for an additional thirty (30) days. If the Underwriter does not elect to extend its offer within six (6) days thereafter, then the Good Faith Deposit will be returned, and both the District and the Underwriter shall be relieved of any further obligation.

EXCHANGE ON DELIVERY DATE: The Registrar will, on the delivery date, exchange the Initial Bonds delivered by the District for Bonds, consisting of one Bond per maturity, registered in the name of Cede & Co., as nominee for DTC, in integral multiples of \$5,000, maturing as set out in the Official Notice of Sale and bearing interest in accordance with the terms of the Underwriter's bid.

DTC DEFINITIVE BONDS: After delivering the Initial Bonds, the Bonds will be issued in book-entry-only form. Cede & Co. is the nominee for DTC. All references herein to the Registered Owners of the Bonds shall mean Cede & Co. and not the Beneficial Owners of the Bonds. Purchase of beneficial interests in the Bonds will be made in book-entry-only form (without registered Bonds) in the denominations of \$5,000 principal amount or any integral multiple thereof. Under certain limited circumstances described herein, the District may determine to forego immobilization of the Bonds at DTC, or another securities depository, in which case, such beneficial interests would become exchangeable for one or more fully registered Bonds of like principal amount for the Bonds. See "THE BONDS - Book-Entry-Only System" in the Preliminary Official Statement.

CUSIP NUMBERS: In the event the book-entry-only system is discontinued, it is anticipated that CUSIP identification numbers will then be printed on the Bonds, but neither the failure to print such number on any Bond nor any error with respect thereto shall constitute cause for a failure or refusal by the Underwriter to accept delivery of and pay for the Bonds in accordance with the terms of this Official Notice of Sale. All expenses relating to the printing of CUSIP numbers on the Bonds shall be paid for by the District; however, payment of the CUSIP Service Bureau charge for the assignment of the numbers shall be the responsibility of the Underwriter.

CONDITIONS TO DELIVERY: The obligation of the Underwriter to take up and pay for the Bonds is subject to the following conditions: the issuance of an approving opinion of the Attorney General of Texas, the Underwriter's receipt of the Bonds, the Underwriter's receipt of the legal opinion of Bond Counsel and the no-litigation certificate, and the non-occurrence of the events described below under the caption "NO MATERIAL ADVERSE CHANGE", all as described below. Further, the Underwriter is not obligated to take up and pay for the Bonds at initial delivery if at any time after the award of the Bonds and at or prior to initial delivery, the Congress of the United States shall have declared war or a national emergency. In addition, if the District fails to comply with its obligations described under "OFFICIAL STATEMENT" below, the Underwriter may terminate its contract to purchase the Bonds by delivering written notice to the District within five (5) days thereafter.

CERTIFICATION REGARDING OFFERING PRICE OF BONDS: In order to provide the District with information required to enable it to comply with certain conditions of the Internal Revenue Code of 1986, as amended (the "Code"), relating to the exclusion of interest on the Bonds from gross income for federal income tax purposes, the Underwriter will be required to complete, execute and deliver to the District (on or before the date of delivery of the Bonds) a certification regarding the "issue price" of the Bonds substantially in the form accompanying this Official Notice of Sale. In the event the Underwriter is unable to sell a substantial amount of the Bonds of any maturity by the date of delivery, such certificate may be modified in a manner acceptable to the District. Each bidder, by submitting its bid, agrees to complete, execute and deliver such a certificate by the date of delivery of the Bonds, if its bid is accepted by the District. It will be the responsibility of the Underwriter to institute such syndicate reporting requirements, to make such investigation, or otherwise to ascertain the facts necessary to enable it to make such certification with reasonable certainty. Any questions concerning such certification should be directed to Bond Counsel.

LEGAL OPINIONS: The District will furnish without cost to the Underwriter a transcript of certain certified proceedings held incident to the authorization and issuance of the Bonds, including a certified copy of the unqualified approving legal opinion of the Attorney General of Texas, as recorded in the Bond Register of the Comptroller of Public Accounts of the State of Texas, to the effect that the Bonds are validly issued under the Constitution and laws of the State

of Texas, payable from the proceeds of an annual ad valorem tax, without legal limitation as to rate or amount, levied against all taxable property within the District, and, based upon an examination of such transcript of proceedings, the approving legal opinion of Fulbright & Jaworski L.L.P., Houston, Texas, Bond Counsel, to a like effect and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes under existing law, subject to the matters described in “TAX MATTERS” in the Preliminary Official Statement, including the alternative minimum tax on corporations.

QUALIFIED TAX-EXEMPT OBLIGATIONS: The Code requires a pro rata reduction in the interest expense deduction of a financial institution to reflect such financial institution's investment in tax-exempt obligations acquired after August 7, 1986. An exception to the foregoing provision is provided in the Code for “qualified tax-exempt obligations,” which include tax-exempt obligations, such as the Bonds, (a) designated by the issuer as “qualified tax-exempt obligations” and (b) issued by a political subdivision for which the aggregate amount of tax-exempt obligations (not including private activity bonds other than qualified 501(c)(3) bonds) to be issued during the calendar year is not expected to exceed \$10,000,000.

The District will designate the Bonds as “qualified tax-exempt obligations” and has represented that the aggregate amount of tax-exempt bonds (including the Bonds) issued by the District and entities subordinate to the District during calendar year 2012 is not expected to exceed \$10,000,000 and that the District and entities subordinate to the District have not designated more than \$10,000,000 in “qualified tax-exempt obligations” (including the Bonds) during calendar year 2012.

Notwithstanding this exception, financial institutions acquiring the Bonds will be subject to a 20% disallowance of allocable interest expense.

NO-LITIGATION CERTIFICATE: With the delivery of the Bonds, the President and Secretary of the Board will, on behalf of the District, execute and furnish to the Underwriter a certificate to the effect that no litigation of any nature has been filed or is then pending against the District, of which the District has notice, to restrain the issuance or delivery of the Bonds, or which would affect the provisions made for their payment or security, or in any manner questioning the validity of the Bonds.

NO MATERIAL ADVERSE CHANGE: The obligations of the Underwriter to take up and pay for the Bonds, and of the District to deliver the Bonds, are subject to the condition that, up to the time of delivery of and receipt of payment for the Bonds, there shall have been no material adverse change in the financial condition of the District subsequent to the date of the sale from that set forth in the Preliminary Official Statement, as it may have been supplemented or amended through the date of the sale. As is stated in this Official Notice of Sale under the caption “MUNICIPAL BOND GUARANTY INSURANCE AND RATING,” if the Underwriter elects to purchase municipal bond guaranty insurance on the Bonds, the rating of the insurer's creditworthiness by any rating agency does not and will not in any manner affect the District's financial condition, and thus any change to such rating, including a downgrade thereof, at any time, does not and will not constitute a change, material or otherwise, in the District's financial condition, and therefore cannot be a basis for termination by the Underwriter of its obligations to take up and pay for the Bonds.

OFFICIAL STATEMENT

To assist the Underwriter in complying with Rule 15c2-12 of the United States Securities and Exchange Commission (“SEC”), the District and the Underwriter contract and agree, by the submission and acceptance of the winning bid, as follows.

FINAL OFFICIAL STATEMENT: The District has approved and authorized distribution of the accompanying Preliminary Official Statement for dissemination to potential purchasers of the Bonds, but does not presently intend to prepare any other document or version thereof for such purpose, except as described below. Accordingly, the District intends the Preliminary Official Statement to be final as of its date, within the meaning of SEC Rule 15c2-12(b)(1), except for information relating to the offering prices, interest rates, final debt service schedule, selling compensation, identity of the Underwriter and other similar information, terms and provisions to be specified in the competitive bidding process. The Underwriter shall be responsible for promptly informing the District of the initial offering yields of the

Bonds. Thereafter, the District will complete and authorize distribution of the Official Statement identifying the Underwriter and containing such omitted information. The District does not intend to amend or supplement the Official Statement otherwise, except to take into account certain subsequent events, if any, as described below. By delivering the final Official Statement or any amendment or supplement thereto in the requested quantity to the Underwriter on or after the sale date, the District intends the same to be final as of such date, within the meaning of SEC Rule 15c2-12(f)(3). Notwithstanding the foregoing, the only representations concerning the absence of material misstatements or omissions from the Official Statement which are being or which will be made by the District are those described and contained in the Official Statement under the caption “OFFICIAL STATEMENT - Certification as to Official Statement.”

CHANGES TO OFFICIAL STATEMENT: If, subsequent to the date of the Official Statement, to and including the date the Underwriters are no longer required to provide an Official Statement to customers who request same pursuant to SEC Rule 15c2-12, the District learns, or is notified by the Underwriters, of any adverse event which causes the Official Statement to be materially misleading, and unless the Underwriters elect to terminate its obligation to purchase the Bonds, the District will promptly prepare and supply to the Underwriters an appropriate amendment or supplement to the Official Statement satisfactory to the Underwriters; provided, however, that the obligation of the District to so amend or supplement the Official Statement will terminate upon the earlier of (i) 90 days after the end of the underwriting period as defined in SEC Rule 15c2-12 or (ii) the date the Official Statement is filed with the MSRB, but in no case less than 25 days after the “end of the underwriting period.”

DELIVERY OF OFFICIAL STATEMENTS: The District shall furnish to the Underwriter (and to each participating Underwriter of the Bonds, within the meaning of SEC Rule 15c2-12(a), designated by the Underwriter), within seven (7) business days after the sale date, the aggregate number of Official Statements specified in the winning bid. The District also shall furnish to the Underwriter a like number of any supplements or amendments approved and authorized for distribution by the District for dissemination to potential purchasers of the Bonds, as well as such additional copies of the Official Statement or any such supplements or amendments as the Underwriter may request prior to the 90th day after the end of the underwriting period described in SEC Rule 15c2-12(f)(2). The District shall pay the expense of preparing the number of copies of the Official Statement specified in the winning bid and an equal number of any supplements or amendments issued on or before the delivery date, but the Underwriter shall pay for all other copies of the Official Statement or any supplement or amendment thereto.

GENERAL CONSIDERATIONS

FUTURE REGISTRATION: The Bonds are transferable on the bond register kept by the Registrar upon surrender and reissuance. The Bonds are exchangeable for an equal principal amount of Bonds of the same maturity in any authorized denomination upon surrender of the Bonds to be exchanged, but the District may require payment of a sum sufficient to cover any tax or governmental charge payable in connection therewith.

RECORD DATE: The record date (“Record Date”) for the interest payable on any interest payment date means the 15th calendar day of the month next preceding such interest payment date.

RISK FACTORS: The Bonds involve certain investment risks as set forth in the Preliminary Official Statement. Prospective purchasers should carefully review the entire Preliminary Official Statement before making their investment decision. Particular attention should be given to the information set forth therein under the caption “RISK FACTORS.”

RESERVATION OF RIGHTS: The District reserves the right to reject all bids or any bid not conforming with the terms hereof and the right to waive any and all irregularities, except time of filing.

NOT AN OFFER TO SELL: This Official Notice of Sale does not alone constitute an offer to sell the Bonds but is merely notice of sale of the Bonds. The invitation for bids on the Bonds is being made by means of this Official Notice of Sale, the Preliminary Official Statement and the Official Bid Form.

SECURITIES REGISTRATION AND QUALIFICATION: No registration statement relating to the Bonds has been filed with the SEC under the Securities Act of 1933, as amended, in reliance upon exemptions provided thereunder. The Bonds have not been registered or qualified under the Securities Act of Texas in reliance upon various exemptions contained therein; nor have the Bonds been registered or qualified under the securities laws or regulations of any other jurisdiction. The District assumes no responsibility for registration or qualification of the Bonds under the securities laws or regulations of any other jurisdiction in which the Bonds may be offered, sold or otherwise transferred. This disclaimer of responsibility for registration or qualification for sale or other disposition of the Bonds shall not be construed as an interpretation of any kind with regard to the availability of any exemption from securities registration or qualification provisions in such other jurisdictions.

By submission of a bid, the Underwriter represents that the sale of the Bonds in states other than Texas will be made only pursuant to exemptions from registration or qualification or, where necessary, the Underwriter will register or qualify the Bonds in accordance with the securities laws or regulations of any jurisdiction which so requires. The District agrees to cooperate, at the Underwriter's written request and expense, in registering or qualifying the Bonds, or in obtaining an exemption from registration or qualification, in any jurisdiction where such action is necessary, provided that the District shall not be required to file a general consent to service of process in any jurisdiction.

CONTINUING DISCLOSURE OF INFORMATION: The District will agree in the Bond Order to provide certain periodic information and notices of material events in accordance with Securities and Exchange Commission Rule 15c2-12, as described in the Preliminary Official Statement under "CONTINUING DISCLOSURE OF INFORMATION." The Underwriter's obligation to accept and pay for the Bonds is conditioned upon delivery to the Underwriter or its agent of a certified copy of the Bond Order containing the agreement described under such heading.

During the last five years, the District has complied in all material respects with all continuing disclosure agreements made by it in accordance with SEC Rule 15c2-12.

ADDITIONAL COPIES: Additional copies of the Official Notice of Sale, the Official Bid Form and the Preliminary Official Statement may be obtained from Rathmann & Associates, L.P., 8584 Katy Freeway, Suite 250, Houston, Texas 77024.

Ronald S. Koehn
President, Board of Directors
Cypress Hill Municipal Utility District No. 1

March 16, 2012

CERTIFICATE OF UNDERWRITER

The undersigned hereby certifies as follows with respect to the sale and delivery by the Cypress Hill Municipal Utility District No. 1 (the "Issuer") of its Unlimited Tax Bonds, Series 2012, in the aggregate principal amount of \$4,550,000 (the "Bonds") as follows:

1. The undersigned is the underwriter or the manager of the syndicate of underwriters (the "Underwriter") which have purchased the Bonds from the Issuer pursuant to a competitive sale.
2. The Underwriter has made a bona fide offering of all of the Bonds to the public and the Bonds were offered to the public at the initial offering prices described in paragraph 3.
3. The initial offering prices and/or yields at which at least 10% of the Bonds of each maturity were sold to the public (as defined in paragraph 4) are set forth on the cover page of the Issuer's Official Statement relating to the Bonds, dated _____ (the "Official Statement").
4. For purposes of this certificate, the term "public," as used herein, means persons other than underwriters, bondhouses, brokers, dealers and similar persons or organizations acting in the capacity of underwriters or wholesalers.
5. The offering prices described above reflect current market prices at the time of such sales.
6. The undersigned and/or one or more other members of the underwriting syndicate, as the case may be, (have)(have not) purchased bond insurance for the Bonds. The bond insurance, if any, has been purchased from _____ (the "Insurer") for a premium cost of \$_____ (net of any nonguarantee cost, e.g., rating agency fees). The amount of such cost is set forth in the Insurer's commitment and is separately stated from all other fees or charges payable to the Insurer. The premium does not exceed a reasonable charge for the transfer of credit risk taking into account payments charged by guarantors in comparable transactions (including transactions in which a guarantor has no involvement other than as a guarantor). The present value of the debt service savings expected to be realized as a result of such insurance, discounted at a rate equal to the yield on the Bonds which results after recovery of the insurance premium, exceeds the present value of the bond insurance premium.
7. The undersigned understands that the statements made herein will be relied upon by the Issuer in its efforts to comply with the conditions imposed by the Internal Revenue Code of 1986, as amended, and by Bond Counsel in rendering its legal opinion concerning the excludability of interest on the Bonds from the gross income of their owners.

EXECUTED AND DELIVERED this _____ day of _____, 2012.

(Name of Underwriter or Manager)

By _____

OFFICIAL BID FORM

April 19, 2012

President and Board of Directors
 Cypress Hill Municipal Utility District No. 1
 c/o Rathmann & Associates, L.P.
 8584 Katy Freeway, Suite 250
 Houston, Texas 77024

Board Members:

We have read in detail the Official Notice of Sale and Preliminary Official Statement, which are hereby made a part hereof, of Cypress Hill Municipal Utility District No. 1 (the "District") relating to its \$4,550,000 Unlimited Tax Bonds, Series 2012 (the "Bonds"). We realize that the Bonds involve certain investment risks and that the ability of the District to service the Bonds depends, in part, on the risk factors set forth in the Preliminary Official Statement. We have made such inspections and investigations as we deem necessary relating to the investment quality of the Bonds. Accordingly, we offer to purchase the Bonds for a cash price of \$_____ (which represents _____% of the principal amount of the Bonds), plus accrued interest to the date of delivery of the Bonds to us, provided such Bonds bear interest at the following rates:

<u>Maturity</u> <u>(September 1)</u>	<u>Amount</u>	<u>Interest Rate</u>
2025(i)(ii)	\$ 75,000	_____ %
2026(i)(ii)	75,000	_____ %
2027(i)(ii)	75,000	_____ %
2028(i)(ii)	75,000	_____ %
2029(i)(ii)	75,000	_____ %
2030(i)(ii)	100,000	_____ %
2031(i)(ii)	100,000	_____ %
2032(i)(ii)	100,000	_____ %
2033(i)(ii)	100,000	_____ %
2034(i)(ii)	100,000	_____ %
2035(i)(ii)	800,000	_____ %
2036(i)(ii)	1,400,000	_____ %
2037(i)(ii)	1,475,000	_____ %

Our calculation (which is not a part of this bid) of the interest cost from the above is:

Total Interest Cost from May 1, 2012	\$ _____
Plus: Dollar Amount of Discount	
(or Less: Dollar Amount of Premium)	\$ _____
NET INTEREST COST	\$ _____
NET EFFECTIVE INTEREST RATE	_____ %

(i) Of such principal maturities set forth above, we have created term bonds as indicated in the following table (which may include multiple term bonds, one term bond, or no term bonds if none is indicated.) For those years which have been combined into a term bond, the principal amount shown in the table above shall be the mandatory sinking fund redemption amounts in such years. The term bonds created are as follows:

<u>Term Bond Maturity Date (September 1)</u>	<u>First Year of Mandatory Redemption</u>	<u>Principal Amount of Term Bonds</u>	<u>Interest Rate</u>
_____	_____	\$ _____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %

(ii) Subject to optional redemption beginning September 1, 2019, at a price equal to the principal amount thereof plus accrued interest.

The Initial Bond shall be registered in the name of Cede & Co.

We will require 250 copies of the final Official Statement for dissemination to potential purchasers of the Bonds. By our submission of this bid, we agree to provide such copies of the final Official Statement and of any amendments or supplements thereto in accordance with the Official Notice of Sale, and to undertake the obligations of the Underwriter described therein, as contemplated by Rule 15c2-12 of the Securities and Exchange Commission.

Cashier's Check No. _____, issued by _____ Bank, _____, Texas, and payable to your order in the amount of \$91,000 (is attached hereto) (has been made available to you prior to the opening of this bid) as a Good Faith Deposit for disposition in accordance with the terms and conditions set forth in the Official Notice of Sale. Should we fail or refuse to make payment for the Bonds in accordance with the terms and conditions stated in the Official Notice of Sale, this check shall be cashed and the proceeds retained as complete liquidated damages against us. The Good Faith Deposit will be returned to the Underwriter uncashed on the date of delivery of the Bonds.

We agree to accept delivery of and make payment for the Initial Bonds in immediately available funds at the corporate trust office of The Bank of New York Mellon Trust Company, N.A., Dallas, Texas, not later than 10:00 A.M., Houston Time, on May 16, 2012, or thereafter on the date the Bonds are tendered for delivery pursuant to the terms set forth in the Official Notice of Sale.

The undersigned agrees to complete, execute and deliver to the District, by the date of delivery of the Bonds, a certificate relating to the "issue price" of the Bonds in the form accompanying the Official Notice of Sale, with such changes thereto as may be acceptable to the District.

We hereby represent that sale of the Bonds in jurisdictions other than Texas will be made only pursuant to exemptions from registration or qualification and that, where necessary, we will register or qualify the Bonds in accordance with the securities laws and regulations of the jurisdictions in which the Bonds are offered or sold.

Respectfully submitted,

Name of Underwriter

By: _____
Authorized Representative

Title

ACCEPTANCE CLAUSE

The above and foregoing bid is hereby in all things accepted by Cypress Hill Municipal Utility District No. 1, this 19th day of April, 2012.

ATTEST:

Secretary, Board of Directors

President, Board of Directors

Return of \$91,000 Good Faith Deposit is hereby acknowledged:

Firm: _____

By: _____

Date: _____

(For your information you will find attached a list of the group of underwriters associated with us in this proposal.)

OFFICIAL BID FORM

April 19, 2012

President and Board of Directors
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 c/o Rathmann & Associates, L.P.
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_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %
_____	_____	_____	_____ %

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Respectfully submitted,

 Name of Underwriter

 By: _____
 Authorized Representative

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ATTEST:

Secretary, Board of Directors

President, Board of Directors

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Firm: _____

By: _____

Date: _____

(For your information you will find attached a list of the group of underwriters associated with us in this proposal.)

\$4,550,000
CYPRESS HILL MUNICIPAL UTILITY DISTRICT NO. 1
UNLIMITED TAX BONDS
SERIES 2012

BOND YEARS

Interest accrues from: May 1, 2012

Due: September 1

<u>Year</u>	<u>Amount</u>	<u>Bond Years</u>	<u>Accumulated Bond Years</u>
2025	\$ 75,000	1,000.0000	1,000.0000
2026	75,000	1,075.0000	2,075.0000
2027	75,000	1,150.0000	3,225.0000
2028	75,000	1,225.0000	4,450.0000
2029	75,000	1,300.0000	5,750.0000
2030	100,000	1,833.3333	7,583.3333
2031	100,000	1,933.3333	9,516.6667
2032	100,000	2,033.3333	11,550.0000
2033	100,000	2,133.3333	13,683.3333
2034	100,000	2,233.3333	15,916.6667
2035	800,000	18,666.6667	34,583.3333
2036	1,400,000	34,066.6667	68,650.0000
2037	1,475,000	37,366.6667	106,016.6667
Total Bond Years:		106,016.6667	
Average Maturity:		23.30 years	

