

JP RAVENEAUX PARTNERS, L.P.
14651 North Dallas Parkway
Suite 104
Dallas, Texas 75254

LETTER OF INTENT

January 25, 2008

Board of Directors
Cypress Forest Public Utility District
c/o Allen Boone Humphries Robinson LLP
Phoenix Tower
3200 Southwest Freeway, Suite 2600
Houston, Texas 77027

Re: Kera Village

Ladies and Gentlemen:

This letter of intent outlines JP Raveneaux Partners, L.P.'s ("Developer") understanding of the basic terms it and Cypress Forest Public Utility District ("CFPUD") will incorporate in agreements to accomplish the following: (i) Developer will convey to CFPUD a walking trail easement along Cypresswood Drive within Developer's land, (ii) Developer will encumber an agreed upon portion of the Raveneaux Country Club with a restriction that prohibits it being re-developed for anything other than open space or parkland, and (iii) CFPUD will work with Kleinwood Municipal Utility District ("KMUD") to provide approximately 500 connections of water and wastewater services to Kera Village through the 12-inch water line and the sanitary sewer line located in Cypresswood Drive.

It is understood that the terms below merely outline the general terms and conditions of the proposed transaction. If the below terms accurately outline the basic transaction between the parties, then legal counsel and consultants for Developer and CFPUD should be instructed to immediately proceed with the drafting of documents to accomplish the proposed transaction. Nothing herein shall be deemed a binding agreement between Developer and CFPUD and all terms discussed below shall be subject to final agreement by the applicable parties and documentation in the appropriate agreements:

1. Developer and CFPUD shall work with KMUD to reach agreement on how all of the approximately 500 connections in Kera Village will be served through the

12-inch water line and the sanitary sewer trunk line currently owned by CFPUD and located in Cypresswood Drive. KMUD will purchase from CFPUD sufficient capacity in such lines to serve that portion of Kera Village to be located within its boundaries. The purchase price for capacity in the lines will be the depreciated replacement cost. That portion of Kera Village located in CFPUD will be served by CFPUD through such lines.

2. Developer will dedicate to CFPUD an 8' wide walking trail easement ("Easement") along Cypresswood Drive within Developer's property. CFPUD shall be responsible for the construction of all improvements within the Easement and the ongoing maintenance of all improvements. A portion of the Easement will include a covered arbor to protect pedestrians from golf balls. CFPUD also will indemnify Developer against any liabilities related to someone being injured on the walking trail.

3. Developer shall execute an encumbrance ("Encumbrance") on an agreed upon portion of the Raveneaux Country Club limiting its use to a golf club, park and/or green belt.

4. As compensation for Developer granting the Easement and the Encumbrance, CFPUD shall pay Developer \$5,500,000.

5. On May 10, 2008 CFPUD shall conduct all bond elections necessary to enable the District to pay Developer. In the event the voters of CFPUD fail to approve all of the necessary bond elections, neither the Encumbrance nor the Easement shall be dedicated. Following the passage of such bond election, the District shall immediately take all steps necessary to sell the bonds and fund the \$5,500,000 payment. All monies shall be due and payable no later than December 31, 2008.

6. CFPUD will enter into a reimbursement agreement with Developer pursuant to which CFPUD shall reimburse Developer to the maximum extent allowed under the rules of the Texas Commission on Environmental Quality ("TCEQ") for all public water, sanitary sewer and drainage improvements and land serving that portion of Kera Village located within CFPUD's boundaries. A portion of CFPUD's outstanding bond authorization shall be reserved for such purpose. Reimbursement shall occur at such time as there is sufficient tax base created within Kera Village to amortize such bonds at an agreed upon debt service tax rate.

7. In conjunction with the recording of the plat of Kera Village, CFPUD shall execute all documents necessary to waive any claim to the current access road and temporary access easement located in Kera Village. Access to the CFPUD Water Plant shall be provided through the public streets within Kera Village. Further, CFPUD will execute whatever documents are reasonably requested to evidence its consent to the construction of a bridge or roads crossing its existing water line and drainage easement within Kera Village.

8. Developer will use its good faith efforts to try to get KMUD to allow a portion of Kera Village to be annexed into the boundaries of CFPUD so that the

boundary lines between the two districts is not through the middle of lots, but is located along some logical and manageable line.

9. Developer anticipates that the documents to be negotiated will include: (i) an annexation and reimbursement agreement between CFPUD and Developer, (ii) a joint water and sewer lines agreement between CFPUD and KMUD, (iii) Easement Agreement for the walking trail, (iv) Covenants and Restrictions Agreement creating the Encumbrance for the Raveneaux Country Club, and (v) any documentation required relative to recording the plat of Kera Village.

~~NO 8.~~ All agreements will be finalized and signed no later than March 10, 2008 and CFPUD shall call any and all bond elections by such date.

If the above provisions summarize the basic provisions under which the parties can proceed to negotiate the final agreements accomplishing the proposed transaction, please execute below and authorize the appropriate officers and consultants to work on such matter.

Very truly yours,



Mark Jordan

Our officers and consultants are authorized to work on the negotiating and drafting of documents necessary to accomplish the above described transaction.

Cypress Forest Public Utility District

By: _____

Name: _____

Its: _____