

MINUTES OF SPECIAL MEETING
OF
CYPRESS FOREST PUBLIC UTILITY DISTRICT

August 18, 2006

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

The Board of Directors of Cypress Forest Public Utility District, Harris County, Texas, met in special session, open to the public, on the 18th day of August, 2006, at the Cypress Forest Public Utility District's Administrative Building, 16215 Champion Forest Drive, Spring, Texas 77379, within the boundaries of the District, and the roll was called of the duly constituted officers and members of the Board, to-wit:

Michael J. Lynch, Jr.	President
Thomas J. Petrick	Vice President
Deborah L. Jackson	Secretary
William J. Lawrence	Assistant Vice President
Linn Jensen Smyth	Assistant Secretary

all of said Directors were present except Directors Lawrence and Smyth, thus constituting a quorum.

Also present at the meeting were the following: Tony Kindred of Raveneaux Country Club; Mark D. Jordan of Kera Development, LP; Tim Green of Coats, Rose, Ryman & Lee PC; Gary Wilson of Wilson Architectural Group; Don Hand of Greenwood Properties, Inc.; Billy Peyton of The Lakeland Group, Inc.; Salim Joubran of Pepe Engineering, Ltd. ("Pepe"); Stephen M. Robinson of Allen Boone Humphries Robinson LLP ("ABHR"); Justine M. Cherne, Recording Secretary; and persons listed on the attached attendance sheet.

Director Lynch called the meeting to order. He read an opening statement, identified the District's consultants, and requested members of the Raveneaux Country Club development team to identify themselves. He presented an outline of the meeting agenda.

RECEIVE PROPOSAL FOR PROPOSED DEVELOPMENT PROJECT, DISCUSS
POTENTIAL ANNEXATION AND AUTHORIZE APPROPRIATE ACTION

Mr. Kindred stated that he had nothing to add to the presentation of the proposal for the development and annexation of a portion of the Raveneaux Country Club tract made at the meeting held on August 9, 2006. Mr. Green reviewed the proposal: 1) the District and tract owners to enter into an agreement to annex a portion of the Raveneaux Country Club tract not currently located within the boundaries of the District; 2) the District to provide 500 equivalent single family connections of water and sanitary sewer capacity for the development, as needed; and 3) the District to call a bond election to reimburse the tract owners for constructed water, sanitary sewer, and drainage infrastructure facilities serving the project. He stated that the proposed development is self-supporting and would not raise the District's tax rate. He discussed development of a proposed annexation agreement to include all of the items that the District would want the development to achieve.

Board members stated that additional time, information, and communication with the District's residents were needed to perform due diligence before the Board could call a bond election. The Board concurred that due diligence could not be performed in time to call a November 7, 2006, bond election, which must be called on or before August 29, 2006.

Mr. Kindred and Mr. Jordan stated that they will provide to the Board the information needed for due diligence. Mr. Jordan stated that the Board's commitment level regarding the proposed development and annexation, and the Board's timetable for making a decision on whether to call an election in the future are necessary for business planning purposes for the Raveneaux Country Club. He stated that the current country club business plan is not viable.

Mr. Robinson stated that negotiation of an annexation and development agreement typically takes three or four months. He stated that the Board's decision is whether to call a bond election prior to or after the negotiation of the agreement.

Director Lynch stated that if due diligence and communication with the District's residents are not performed by the Board prior to a bond election, the bond proposition will not pass.

Members of the public next addressed the Board and made comments regarding the proposed development, including concerns regarding communication and evaluation of the proposal by the community, the prestige of the community, the golf club as a community asset, proposed construction features, and the possibility of alternate development if the District does not accept the current proposal. Mr. Jordan stated that construction of a wall is not included in the development plans.

Mr. Hand next addressed the Board and stated that he was not in favor of the proposed development. He discussed the history of his development projects within the District and presented an alternate development proposal developed with Mr. Peyton. Mr. Peyton discussed his development experience and further discussed the alternate development proposal.

Mr. Kindred stated that he has a deep commitment to the community and that Mr. Jordan became involved with the property due to the bankruptcy proceedings. He stated that considerable work was undertaken to develop the proposed development plan presented to the Board for long-term financial success. He stated that the plan will not work without the assistance of the Board. He stated that he did not come to today's meeting to negotiate a purchase or sale of the property and that no such acceptable offers have been made. He reviewed maintenance currently being undertaken on the golf course.

Mr. Jordan stated that due diligence of the proposed development plan has been performed and stated that the plan is financially viable.

Members of the public next addressed the Board and made comments regarding the proposed development.

Mr. Kindred reiterated that JP/Raveneaux Partners, LP and Kera Development, LP own the Raveneaux Country Club property and there is only one development plan presented to the Board for consideration. He stated that the property owners want to negotiate an annexation and development agreement with the Board and address the Board's concerns on behalf of the community. He stated that he expected that the process was to start today.

The Board concurred that additional time, information, and communication with the District's residents were needed to perform due diligence on the development proposal presented by the property owners before the Board could call a bond election. The Board concurred that due diligence could not be performed in time to call a November 7, 2006, bond election. Mr. Jordan stated that postponing a bond election until the May 2007 general election date would not cause the proposal to be withdrawn. In response to a resident's inquiry, he stated that there is the option of presenting the proposal to another utility district but that is not part of the current plan.

Mr. Robinson responded to residents' inquiries regarding the annexation and development process. Mr. Jordan and Mr. Kindred stated that they will hold town meetings and take community input into consideration.

Following review and discussion, Director Jackson moved that the Board authorize execution of a letter agreement with the property owners as an expression of the District's intention to proceed with the due diligence necessary to annex the tract

into the District if the owners comply with the terms of the agreement, if the annexation is determined to be feasible by the District, if the District's concerns are addressed, and the annexation is approved by the City of Houston. Director Petrick seconded the motion, which was approved by unanimous vote. A copy of the letter agreement is attached. The Board concurred to postpone consideration of calling a bond election until the May 2007 general election date to allow the District's annexation committee to perform due diligence on the proposed development project and potential annexation.

There being no other matters to come before the Board, the meeting was adjourned

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE AUGUST 18, 2006, BOARD MEETING]

Secretary, Board of Directors

(SEAL)

ACTION ITEMS

- The Board's annexation committee will perform due diligence on the proposed development project and potential annexation.

LIST OF ATTACHMENTS TO MINUTES

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