

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

January 25, 2008

The Board of Directors (the "Board") of Cypress Forest Public Utility District, Harris County, Texas, (the "District") met in special session, open to the public, on the 25<sup>th</sup> day of January, 2008, at the Cypress Forest Public Utility District's Administrative Building, 16215 Champion Forest Drive, Spring, Texas 77379, inside the boundaries of the District, and the roll was called of the members of the Board:

Michael J. Lynch, Jr.	President
Thomas J. Petrick	Vice President
Deborah L. Jackson	Secretary
Linn Jensen Smyth	Assistant Secretary
Fred P. Jones	Assistant Vice President

and all of the above were present, thus constituting a quorum.

Also present for all or part of the meeting were the following: Greg DiCioccio, John Pemberton, Ron Williams, Phyllis Carter, Harold Wallace, Jim Hughson, and James Reed, residents; Vic Fowler of Kleinwood MUD; Mark Jordan of JP/Raveneaux Partners, LP/Kera Development LP; Sara Catherine Norris of Kera Development; Tim Green of Coats Rose, P.C.; Peter Palacios and Michael Finke of Raveneaux Country Club; Ben Schmaltz of Brown & Gay Engineers, Inc.; Nabil Joubran of Pepe Engineering, Ltd. ("Pepe Engineering"); Joe B. Allen and Greer Pagan of Allen Boone Humphries Robinson LLP ("ABHR"); and Justine M. Cherne, recording secretary.

RAVENEAX DEVELOPMENT

The Board discussed the proposed development of a residential subdivision on a portion of the Raveneaux Country Club tract, Kera Village. Mr. Allen reminded the Board of business points relative to providing land for a walking trail and conservation easement, and water and wastewater utilities for the proposed development which were previously forwarded by Tim Green to Director Petrick in December 2007. Mr. Nabil Joubran stated that the District has sufficient capacity to provide utilities to the proposed development. He stated that he has not received a request to analyze the provision of water through a live interconnection with Kleinwood MUD.

Discussion ensued regarding whether Kleinwood MUD plans to provide utilities to the proposed development. Mr. Fowler provided a brief history of Kleinwood MUD's actions related to the proposed development. He stated that at the request of Kera Development and JP/Raveneaux Partners, Kleinwood MUD entered into an

annexation agreement to provide water and wastewater services to the portion of the proposed development which is not located within Cypress Forest PUD in October 2006. He stated that feasibility studies were conducted and Kleinwood MUD is prepared to provide all of the water and wastewater services to that portion of the proposed development per the agreement. He stated that Kleinwood MUD is open to discussions regarding a proposed modification to the utility service plan and sharing resources between the two districts, if benefits are provided to the taxpayers. He stated that in December 2007, Kera Development asked Kleinwood MUD to consider removing a portion of the proposed property to be annexed and pursue an agreement with Cypress Forest PUD for providing utilities to the proposed development. He stated that Kleinwood MUD has asked Kera Development to update their development plans and define the proposed area to be served by Kleinwood MUD so that an analysis can be performed. He stated that an annexation petition for the portion of the proposed development which is not located within Cypress Forest PUD has been forwarded to the City of Houston for consent.

Mr. Green stated that a Letter of Intent outlining JP/Raveneaux Partners' proposal to Cypress Forest PUD relative to providing land for a walking trail and conservation easement, and water and wastewater utilities for the proposed development will be presented today. He reviewed a drawing of the proposed development and noted that a portion of the proposed development is located within Cypress Forest PUD's boundaries. He stated that a petition to annex into Kleinwood MUD a portion of the proposed development has been submitted to the City of Houston for consent. He requested that Cypress Forest PUD consider working with Kleinwood MUD to determine the feasibility of providing utilities to the entire proposed development through the utility lines currently located under Cypresswood Drive.

Mr. Green stated that the proposed construction of a walking trail on the tract requested by Cypress Forest PUD as an amenity was originally routed along Cypresswood Drive but is now currently proposed to be routed along Cypress Creek. Mr. Jordan stated that construction of the walking trail in a ten-foot easement at the revised location is acceptable. He noted that a portion of the trail will need to be protected from golf activities. He stated that a portion of the proposed trail is on property that is not owned by JP/Raveneaux Partners.

Mr. Green stated that the Letter of Intent outlining JP/Raveneaux Partners' proposal to Cypress Forest PUD relative to providing water and wastewater utilities for the proposed development is a package deal which includes the provision of utilities by Cypress Forest PUD, and payment in the amount of \$5,500,000 by Cypress Forest PUD for the proposed easement for the walking trail and the proposed encumbrance upon a portion of the tract for perpetual use as a golf club, park and/or green belt.

Mr. Jordan reviewed his development plan and the portions located within the floodplain and floodway in response to questions from Mr. Allen regarding whether the development could be moved away from Cypresswood Drive to provide room for a walking trail along the originally proposed route. Mr. Jordan stated that 40 acres of the property will be removed from the floodplain by utilizing dirt from construction of a detention area at the proposed driving range location and excavation of a ditch to provide more conveyance capacity. He stated that the Harris County Flood Control District and the Federal Emergency Management Agency have approved the proposed floodplain mitigation plan.

Mr. Jordan stated that he worked with Director Petrick to determine the location of a proposed walking trail to connect Myer Park with the Kickerillo development. He stated that in addition to flood mitigation issues, the trail conflicts with the proposed exclusiveness of the development and there is no room on the west side of the property for a walking trail along Cypresswood Drive.

Mr. Jordan reviewed a drawing of the proposed area on which he will agree to place an encumbrance for perpetual use as a golf club, park and/or green belt. He stated that the encumbrance will be binding upon the current lienholder, future lienholders including tax liens, and future landowners. Discussion ensued regarding whether such an encumbrance can be voided by a bankruptcy court. Mr. Green stated that he will discuss the issue with a bankruptcy attorney.

At Mr. Allen's request, Mr. Jordan next reviewed what the proposed development will look like at full development, including plans for the golf course, country club, number of residential units and pricing, and the portions to be included within Cypress Forest PUD, Kleinwood PUD, or within no utility district. Mr. Jordan stated that there will be six, five-story mid-rise units containing a total of 48 units with parking on the first floor for a value of \$170.00 plus per square foot. He stated that the current plans are to refurbish the clubhouse and an analysis of the feasibility to move the clubhouse is being performed. He stated that construction of brownstone units for a value of \$150.00 plus per square foot is also included in Phase I development. He stated that the golf course improvements and dirt work must be completed by June 1, 2008. He stated that the total value of the project is estimated at \$200,000,000 or more. Director Jones stated that the total value looks to be closer to \$139,000,000.

Mr. Green stated that the original plan for the proposed development was that Cypress Forest PUD would provide utilities for the portion of the tract currently located with its boundaries and that Kleinwood MUD would provide utilities for the remaining portion of the tract. He stated that Kera Development's engineers subsequently had conversations with the engineers of Cypress Forest PUD and Kleinwood PUD regarding the feasibility of providing utilities to the proposed development through utility lines currently located under Cypresswood Drive.

Mr. Green next reviewed a Letter of Intent outlining JP/Raveneaux Partners' proposal to Cypress Forest PUD relative to providing water and wastewater utilities for the proposed development, a copy of which is attached, and responded to questions from Board members and consultants. Mr. Jordan stated that the portion of the tract located north of Cypresswood Drive is included in the proposed encumbrance. He stated that the proposed payment in the amount of \$5,500,000 by Cypress Forest PUD for the proposed easement for the walking trail and the proposed encumbrance upon a portion of the tract for perpetual use as a golf club, park and/or green belt was calculated based on the number of units per acre that could be constructed. Mr. Allen stated that he believes that the District will not consider \$5,500,000 for these property rights.

Mr. Schmaltz stated that the estimated cost of constructing utilities for the portion of Phase I of the development currently located within Cypress Forest PUD is \$190,000. Mr. Green stated that the development is scheduled to move forward without Cypress Forest PUD providing utilities to the portion of the development located outside of its boundaries. Director Petrick requested an analysis of the cost for construction utilities for the portion of the tract currently located within Cypress Forest PUD and the portion of the tract which is proposed for annexation into Cypress Forest PUD to prevent individual residences from being located within two utility districts. Mr. Jordan stated that an analysis for the amount of capacity needed of Phase II development has not been performed.

Discussion ensued regarding Cypress Forest PUD's access road and temporary easement located within the proposed development, the methods proposed for crossing the easement, and drainage requirements for the proposed development.

Director Jones stated that the estimated cost for Kleinwood MUD to provide utilities to the portion of the development located outside of Cypress Forest PUD's boundaries is \$716,000. Mr. Fowler stated that Kleinwood MUD has more than enough capacity to provide water for the entire proposed development and may need additional wastewater capacity depending on future development.

Mr. Allen stated that the following information is needed by Cypress Forest PUD to evaluate the proposal contained in the Letter of Intent:

1. The amount of reimbursement requested for construction of utility facilities to serve the portion of the proposed development currently located within Cypress Forest PUD;
2. The amount of reimbursement requested for construction of utility facilities to serve the portion of the proposed development located within Cypress Forest PUD if a portion of the tract is annexed into Cypress Forest PUD;

3. The amount of reimbursement requested for construction of utility facilities if Cypress Forest PUD serves the entire proposed development;

4. Information which identifies the number of acres of the proposed encumbrance currently located in the floodplain, in the floodway, and outside of both; and

5. The monetary values of Cypress Forest PUD's water plant capacity and capacity in Cypress Forest PUD's utility lines.

Mr. Green noted that the proposal includes that all agreements will be finalized and signed no later than March 10, 2008, and that Cypress Forest PUD shall call any necessary bond elections by that date. He stated that the information requested by the Board will be forwarded by next Friday, February 1, 2008.

Discussion ensued regarding distribution of documents. The Board concurred that draft documents will not be distributed and that the Letter of Intent will be placed onto the District's web site.

#### CONVENE EXECUTIVE SESSION

The Board next convened in executive session pursuant to Section 551.072 and 551.087 of the Texas Government Code to discuss and consider the acquisition of real property and the terms and conditions of an economic development package.

#### RECONVENE OPEN SESSION AND AUTHORIZE APPROPRIATE ACTION REGARDING ACQUISITION OF REAL PROPERTY AND THE TERMS AND CONDITIONS OF AN ECONOMIC DEVELOPMENT PACKAGE

The Board reconvened in open session. The Board concurred to schedule a special meeting at 9:00 a.m. on February 8, 2008, to finalize its counterproposal to the Letter of Intent outlining JP/Raveneaux Partners' proposal to Cypress Forest PUD relative to providing water and wastewater utilities for the proposed development. The Board authorized ABHR to notify Mr. Green of the Board's action.

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

[SIGNATURE PAGE FOLLOWS]

[SIGNATURE PAGE FOR THE MINUTES OF THE JANUARY 25, 2008, BOARD MEETING]

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Secretary, Board of Directors

(SEAL)

LIST OF ATTACHMENTS

Minutes  
Page

Letter of Intent .....4