

MINUTES  
CYPRESS FOREST PUBLIC UTILITY DISTRICT

July 22, 2010

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 22nd day of July 2010, at the Cypress Forest Public Utility District 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:

Fred P. Jones	President
Greg DiCioccio	Vice President
Michael J. Lynch, Jr.	Secretary
Thomas J. Petrick	Assistant Secretary
David Normand	Assistant Vice President

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

Also present for all or part of the meeting was Alice Kanayan and Jim Reed, residents of the District.

FINANCING OPTIONS FOR PURCHASE OF PARK PROPERTY

The Board discussed financing options for the District's future purchase of park property per the District's Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Developers"). Director Normand reviewed his conversations with Encore Bank and Wells Fargo Bank regarding a possible bank loan to finance the purchase. He distributed the banks' responses to the list of twelve questions that had been prepared by the District's financial advisor, John Howell of The GMS Group, L.L.C., to assist with the preparation of term sheets for the proposed loans. Director Normand noted that he had discussions with a couple of other banks regarding obtaining a loan to finance the purchase of the park property, including Compass Bank, but they had not responded to date.

Director Jones informed the Board that Sterling Bank was no longer interested in loaning any funds to the District for the purchase of park property.

Director Petrick informed the Board that Don Hand of Greenwood Properties, Inc. told him that Chasewood Bank is interested in potentially loaning up to \$2,000,000 to the District for the purchase of the park property and that Mr. Hand would pursue a partner bank to cover the rest of the financing needed for the purchase. Director Petrick

stated that he expects Chasewood Bank to respond to the term sheet questions during the week of July 25, 2010.

Director Jones distributed a set of proposed parameters and Director Petrick distributed a list of proposed rules to which they each wanted the financing for the park purchase to adhere. The Board discussed the proposed parameters and rules in detail, with discussion primarily about the amount of excess cash that the Board would be willing to invest in paying down the loan. The consensus was to restrict the use of the surplus in the District's General Fund due to expected additional start-up and maintenance costs for the future park, and additional costs associated with the delivery of surface water to the residents. After the discussion, the Board unanimously agreed that the financing should meet the following criteria: 1) require no increase in the tax rate or fees to pay for the new debt; 2) minimize the risk of future surprises by requiring only fixed rate instruments; 3) maintain sufficient working capital to invest in the refurbishment of the District's infrastructure without the need to request additional bond issuance capacity from the voters; 4) limit the use of excess cash to \$750,000, including cash required to close the gap between the "1% of assessed value limit" and the funds required to close the transaction to purchase the park property; and 5) obtain the most attractive interest rates available that meet the above criteria, including upfront fees.

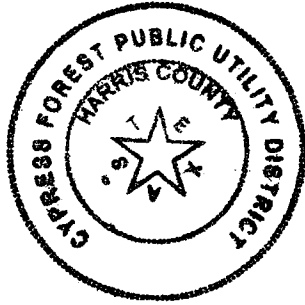
The Board authorized Director Normand to forward the agreed-upon criteria to Encore Bank and Wells Fargo Bank to receive updated responses to the term sheet questions. The Board additionally authorized Director Jones to forward the agreed-upon criteria and the banks' responses to Mr. Howell, and to request that Mr. Howell prepare a proposal that meets the criteria and obtains the \$5,800,000 required to close the purchase of the park property. The Board concurred that Mr. Howell's proposal should include the arguments for and against utilizing bond financing versus the proposed bank loans, including the additional bank proposals to be received, for review at the regularly scheduled meeting scheduled on August 3, 2010, or at a special meeting to be scheduled as early as conveniently possible.

#### AMENDMENT TO RAVENEAUX REDEVELOPMENT AGREEMENT

There was no discussion regarding an amendment to the District's Raveneaux Redevelopment Agreement with JP Raveneaux Partners LP and Kera Development LP (the "Developers").

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

(SEAL)



*Michael P. Lynch*  
Secretary, Board of Directors