

RAVENEAX REDEVELOPMENT AGREEMENT
BETWEEN
CYPRESS FOREST PUBLIC UTILITY DISTRICT
AND
JP RAVENEAX PARTNERS LP AND KERA DEVELOPMENT, L.P.

THIS AGREEMENT is entered into as of the 2nd day of September, 2008, by and between Cypress Forest Public Utility District, a political subdivision of the State of Texas, organized pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 of the Texas Water Code, as amended ("District") and JP Raveneaux Partners LP, a Texas limited partnership, and Kera Development, L.P., a Texas limited partnership, including any successors or assigns (collectively, the "Developer").

RECITALS

WHEREAS, the District operates pursuant to Chapters 49 and 54 of the Texas Water Code, as amended and is authorized to provide water, sewer and drainage facilities and park and recreational facilities to serve the land within its boundaries;

WHEREAS, Developer owns approximately 285 acres that is currently known as the Raveneaux Country Club, as further described on Exhibit "A" attached hereto (the "Tract"), a portion of which is located in the boundaries of the District;

WHEREAS, the Board of Directors of the District has determined that it is in the best interest of the District to annex certain portions of the Tract that are not currently in the District and provide for the design and construction of the water, sewer and drainage facilities to serve a portion of the Tract if the Developer is willing to convey other portions of the Tract to the District and to restrict the types of development that are allowable on the Tract; and

WHEREAS, Developer is agreeable to advancing funds to or on behalf of the District for the purpose of designing and constructing the water, sewer and drainage facilities to serve a portion the Tract and to convey to the District a portion of the Tract and to restrict the types of development that are allowable on the Tract, subject to the terms and conditions of this Agreement.

AGREEMENT

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, obligations and benefits of this Agreement, the District and Developer contract and agree as follows:

ARTICLE I
REDEVELOPMENT OF 27 ACRES

Section 1.01: Annexation. In order to receive utility service and certain reimbursements as provided herein, the Developer agrees that it will file a petition with the District for annexation of those portions of the Tract that are not currently located in the District or in Kleinwood Municipal Utility District ("Kleinwood"), substantially as described in Exhibit "B" hereto (the "Annexation Tract"). The annexation petition shall be in substantially the form attached hereto as Exhibit "C". The Developer will execute the annexation petition and the petition to the City of Houston for consent concurrently within 30 days of execution of this Agreement. The Developer shall deposit \$15,000 with the District to offset the legal and engineering costs associated only with the annexation. The District's engineer shall prepare a metes and bounds description of the Annexation Tract. The Developer agrees to execute the various certificates of authority for all signers acting in representative capacities. The Developer will be responsible for securing the executions and acknowledgments for all landowners and lienholders that are needed on all documents relating to the proposed annexation. The District will work on the annexation on the condition that the Developer pays all costs and expenses normally incurred by the District relating to the annexation, including, but not limited to, attorneys' fees, engineering fees, filing fees, copying costs, and all other related costs or fees. Immediately prior to the time that the District adopts an Order Adding Land, which officially annexes the Annexation Tract into the District, the Developer will be billed for the final annexation costs representing the difference between the \$15,000.00 deposit and the total costs involved in the annexation, which amount shall be immediately due to the District. If the actual annexation costs incurred by the District are less than \$15,000.00, the difference will be reimbursed to the Developer.

Before the District shall be obligated to proceed with the annexation or any other obligations under this Agreement, the Developer shall provide a copy of written notice filed by the Developer with Kleinwood and the City of Houston formally withdrawing its petition for annexation of any portion of the Tract into Kleinwood.

Section 1.02. Provision of Utility Service. Upon annexation of the Annexation Tract pursuant to Section 1.01 and satisfaction of the Developer's obligations in Section 3.01, the District agrees to provide and make immediately available up to five hundred (500) equivalent single family connections ("ESFCs") of water supply and sewage treatment capacity for the redevelopment of approximately 27 acres of the Tract, as such approximate 27 acres are shown in Exhibit "D" hereto (the "27 Acres"). The gallons-per-day measurement of equivalent single family connection shall be based on standard Texas Commission on Environmental Quality (the "Commission") criteria. The Developer shall not connect to any of the District's water, sewer or drainage facilities and the District is not required to provide any service to the 27 Acres or any of the Tract until annexation of the Annexation Tract is complete. The Developer may start

constructing water, sewer, and drainage facilities within the 27 Acres at its own risk, understanding that service will not be provided by the District if the Annexation Tract is not annexed.

Upon annexation of the Annexation Tract, the Developer shall be allowed to connect to the District's existing water and wastewater lines located in Cypresswood Drive. The Developer shall not be required to pay for water and wastewater capacity or capacity in the District's water and wastewater lines in Cypresswood Drive. All connections to District facilities shall be subject to the District's then-current rate order; however, other than normal tap fees, in no instance will the District charge impact fees or fees relative to capacity in the District's system. All facilities constructed to connect to the District's existing facilities must be designed and constructed in accordance with Article II of this Agreement. Except as provided in Section 3.07, the District shall have no obligation to provide utility service to any other property located within the Tract except the 27 Acres.

Section 1.03. Land Use Restrictions. As consideration for the District's agreement to annex the Annexation Tract, to provide utility service to the 27 Acres and to provide reimbursements as provided in Article II herein, the Developer agrees that the 27 Acres will only be developed in accordance with this Section. The Developer and the District agree that, except upon prior written approval of the District, the 27 Acres may only contain high-end condominiums, high-rise or mid-rise buildings, two-, three- or four-story townhouses, single-family residential dwellings, reconstruction of the country club clubhouse including hotel space and a spa and limited retail commercial property as provided herein. For the purpose of this Section, "high-end condominiums" shall mean a condominium tower with an average construction cost of no less than \$85 per square foot. The Developer and the District agree that any type of for-rent apartment development or multi-family project or any sexually-oriented commercial development is expressly prohibited within the 27 Acres. To the extent residential condominiums are built on the 27 Acres, individual residential condominium owners will be allowed to rent their units but there shall be no centralized rental office or system for rental of condominium units. Except upon prior written approval of the District, the total amount of commercial retail space within the 27 Acres shall not exceed 50,000 square feet of retail space and there shall be no commercial retail building fronting on Cypresswood Drive without approval of the District. Units within a condominium building shall be a minimum of 1,200 square feet; provided, however, that five percent of the units within any one condominium building may be smaller than 1,200 square feet with a minimum size of 900 square feet. Except as provided in Section 3.07 or the Lease, described in Exhibit "M," no other portion of the Tract may be developed with vertical improvements, unless approved in writing by the District. The land use restrictions contained in this Section shall be filed as a deed restriction and recorded in the property records of Harris County in substantially the

form attached hereto as Exhibit "E" at such time as the Annexation Tract is annexed into the District.

No off-premise signs on the 27 Acres will be allowed. All signage will meet City of Houston sign ordinances within the 27 Acres.

Section 1.04. Annexation and Utility Service Conditioned on Land Use. The District and the Developer agree that the District has no current obligation (other than the out-of-district service agreement for the current Raveneaux clubhouse) to provide water supply or wastewater treatment service to the Annexation Tract. The District's agreement to annex the Annexation Tract and to provide utility service as provided in Section 1.03 is subject to the Developer's (and its successors' and assigns') compliance with the land use restrictions provided in Section 1.03 hereof. The District and the Developer agree that a portion of the consideration provided herein for the District's agreement to annex a portion of the Tract and to provide utility service is the Developer's agreement to restrict the land uses that are available in the Annexation Tract as provided herein.

Section 1.05. Access to District Property. The District owns a 0.8195-acre strip of property as further described in Exhibit "F" hereto (the "Fee Strip"). The District and the Developer agree that access to the Fee Strip is necessary for the Developer's plans for the redevelopment of the 27 Acres. The District agrees to grant access to the fee strip for street and utility crossings by signing a plat for the subdivision of the 27 Acres that contains a land plan that is consistent with the land use restrictions contained in Section 1.03 hereof. The District's acknowledgement on the plat shall expressly state that the District is only providing access to the Fee Strip for the land-uses contained in Section 1.03 of this Agreement. The Developer shall be responsible for all fees and expenses associated with platting the 27 Acres.

The District has a Drainage, Sewer and Water Line Easement as further described in Exhibit "F" hereto (the "Drainage Easement "). The District and the Developer agree that access across the Drainage Easement is necessary for the Developer's plans for the redevelopment of the 27 Acres. The District agrees to grant a crossing of the Drainage Easement for street and utility crossings by signing a plat for the subdivision of the 27 Acres that contains a land plan that is consistent with the land use restrictions contained in Section 1.03 hereof. The District's acknowledgement on the plat shall expressly state that the District is only providing crossing of the Drainage Easement for the land-uses contained in Section 1.03 of this Agreement. The Developer shall be responsible for all fees and expenses associated with platting the 27 Acres.

The District also owns a water plant access easement as described on Exhibit "F" hereto (the "Access Easement"). The District and the Developer agree that upon request by the Developer, the Access Easement shall be relocated in order to allow for

the redevelopment of the 27 Acres. The Developer agrees to dedicate an alternate access easement and to construct at its sole cost and expense a concrete access road, if necessary, to allow the District unencumbered access to its water plant. To the extent that the development of the 27 Acres includes a gated community and the Developer is unable to provide an access easement outside of the gated community, the District shall have any necessary security cards or permits in order to access its water plant.

ARTICLE II
REIMBURSEMENT FOR WATER, SEWER AND DRAINAGE FACILITIES

Section 2.01. Facilities Eligible for Reimbursement. For the purposes of this Article, the "Project" shall be and include the design and construction of the water, sewer and drainage facilities to serve the 27 Acres developed in accordance with the provision hereof, a current cost estimate of which is provided in Exhibit "G" attached hereto. The District shall not be obligated to reimburse the Developer for any costs associated with filling of the 27 Acres or flood plain mitigation or flood way mitigation or development or improvement to the golf course or club house associated with the development of the 27 Acres. The Developer recognizes and agrees that the District has \$1,430,000 in remaining authorized but unissued bonds to finance the design and construction of water, sewer and drainage facilities. The District shall not be required to call a bond election for additional authorization or to reimburse the Developer for any amounts that exceed the net proceeds that it could generate from \$1,430,000 in bonds or an equivalent amount from any other funds of the District. The District hereby sets aside such bond authorization for such use unless it secures other funds or financing arrangements. Any costs in excess of the net proceeds of the \$1,430,000 bond issue shall be borne by the Developer.

Section 2.02: Design of the Project. All facilities to be constructed as a part of the Project shall be designed by the Developer's engineer; provided, however, that all plans must be reviewed and approved by the District's Engineer. The costs for the review by the District's Engineer shall not be reimbursable to the Developer. Further, the District shall only be obligated to reimburse the Developer for the design of the Project at the rate that the District would have been charged by the District's Engineer for such design work. The design of the Project shall be subject to the approval of all governmental entities with jurisdiction, including, without limitation, the City of Houston, Harris County, the Commission, and the Texas Department of Health.

Section 2.03: Construction and Acquisition of Project.

(a) The Project shall be constructed, and all easements, equipment, materials and supplies required in connection therewith shall be acquired, in the name of the District; provided, however, all construction contracts entered into by the District, at the

request of the Developer, shall be guaranteed for payment by Developer by execution of a special provision to the construction contracts.

(b) The Project shall be installed, the construction contracts awarded, and payment and performance bonds obtained all in the manner provided by general law for municipal utility districts and in full compliance with the rules and regulations of the Commission and any other local, State or federal agencies having jurisdiction.

(c) The Board of Directors of the District shall review all bids received for the construction of the Project and shall authorize the award of the construction contracts to the most responsible bidder, who in the Board of Director's judgment, will be most advantageous to the District and will result in the best and most economical completion of the Project.

(d) The Developer's Engineer shall serve as project engineer on the Project. The Developer's Engineer shall advise and make recommendations to the Board of Directors upon the award of construction contracts on the Project, shall make monthly reports to the Board and the Developer on the progress of construction, shall approve all pay estimates submitted, shall submit all change orders to the Board for approval, and shall provide the appropriate level of inspection during the construction of the Project. No changes to the plans and specifications or change orders to any construction contracts shall be made without approval by the District's Engineer, the Board of Directors of the District and the Developer, which approval shall not be unreasonably withheld, delayed or conditioned.

(e) The Project shall be constructed in public rights-of-way or utility easements, which easements shall be dedicated by Developer, if required, without reimbursement, unless otherwise allowed by the rules of the Commission. The District agrees to purchase detention facilities in fee at the price established by the rules of the Commission; provided, however, the Developer shall agree to maintain any detention facilities or cause a property owners association created for the 27 Acres to agree to maintain any detention facilities purchased by the District to serve the 27 Acres. The District agrees that it will sign any necessary documents for approval of detention plans by Harris County Flood Control District regarding maintenance of a detention pond, provided that the Developer or the homeowners' association (the "HOA") has otherwise executed an agreement to conduct maintenance of such pond. Prior to execution of any such documents by the District, the Developer or the HOA shall provide evidence that a satisfactory funding mechanism exists.

Section 2.04: Advances by Developer. Developer hereby agrees to promptly advance sufficient funds to the District, or to pay such funds on behalf of the District, as such funds become due for the Project, including without limitation, all reasonable costs of design, engineering, materials, labor, construction, inspection and easements arising

in connection with the Project; all payments arising under any contracts entered into as a part of the Project; all reasonable costs incurred in connection with obtaining governmental approvals, certificates or permits required as a part of the Project; and all reasonable out-of-pocket expenses incurred in connection therewith.

Section 2.05: Reimbursement. The District agrees to make all reasonable efforts to obtain approval for the sale of bonds and to sell the bonds for the purpose of repaying Developer at the earliest feasible date requested by the Developer, based upon the recommendations of its attorney, financial advisor and the District Engineer in accordance with this Article II. The District shall not be required to sell bonds in an amount less than \$1,000,000. The District shall not be obligated to sell bonds to reimburse Developer until the following have occurred:

(a) The development of the 27 Acres is in compliance with Section 1.03 of this Agreement;

(b) The District determines that the assessed valuation of parcels within the 27 Acres and all taxable improvements constructed thereon would independently support the issuance of bonds in one or more series to reimburse Developer for financing the Project. For the purposes of determining when the District is obligated to issue bonds for the purpose of reimbursing Developer, the following formula shall be used:

$$\begin{array}{rcccl} \text{Total Taxable Value of} & & & & \\ \text{Tract and} & & \text{District's} & & \text{Debt Service} \\ \text{Improvements} & & \text{Debt Service} & & \text{on Bonds to be} \\ \text{Thereon} & \times & \text{Tax Rate} & > & \text{Sold to Serve Tract} \end{array}$$

The taxable valuation shall be determined by the Harris County Appraisal District or estimated by the District using valuations of the Harris County Appraisal District and applying such valuations to the land and improvements then existing and projected on the Tract.

The foregoing provisions of this subsection to the contrary notwithstanding, the District shall be obligated to file a bond application to reimburse the Developer for any amount that qualifies under the above formula not later than the time at which development has been completed on 95% of the 27 Acres, excluding those portions of the 27 Acres to be used for streets, detention facilities, utility easements and common areas. The District shall request a certificate of estimated assessed valuation from the Harris County Appraisal District when requested to do so by the Developer. The Developer shall bear the charges of the Harris County Appraisal District for providing such certificate.

- (c) The Commission approves the issuance and sale of the bonds;
- (d) The Attorney General of Texas approves the bonds;
- (e) The Comptroller of Public Accounts of the State of Texas registers the bonds;
- (f) The bonds can be marketed in the manner and at the time or times advised by the District's financial advisor; provided, however, that the District is not obligated to sell the bonds at a net effective interest rate exceeding two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of sale of the bonds is given;
- (g) Developer is current on all taxes, fees and obligations to the District and has taken no action, such as bankruptcy proceedings, which would impair its ability or its successors in title to meeting all obligations to the District on a timely basis;
- (h) The District shall not be obligated to capitalize more than two (2) year's interest on the bonds;
- (i) Developer recognizes that the reimbursement formula specified in this Section may result in Developer being reimbursed for less than the maximum amount allowed by the rules of the Commission; and
- (j) For purposes of determining the maximum amount of reimbursement due to Developer, the formula specified above shall be applied to the certified value of the 27 Acres not later than the January 1, 2 years after completion of 95% of development within the Tract, excluding those portions of the Tract to be used for streets, detention facilities, utility easements and common areas. For the purposes of this section, the term "development" means the construction of vertical improvements on the parcels within the 27 Acres. Any changes in valuation thereof shall not affect the District's liability.

Section 2.06: Developer's Obligations for Reimbursement. As conditions for reimbursement, Developer agrees that it will perform the following:

- (a) comply with all of the conditions of the City of Houston ordinance granting consent to the creation of the District and with all requirements of the Commission, as the same now exist or may hereafter exist.

(b) provide all information that may be required by the District, its financial advisor, engineers or attorney in connection with the preparation of the Preliminary Official Statement or other disclosure documents related to the sale of the bonds.

(c) provide such information as may be required by the District for continuing disclosure as required by SEC Rule 15c-2-12.

(d) provide sufficient information to the District's auditor in order that the District's auditor may perform a reimbursement audit.

Section 2.07: Amount of Reimbursement by District. Upon consummation of the sale of the bonds, approval by the Board of Directors of the reimbursement audit, final purchase authorization by the Commission and Developer being in compliance with the terms of this Agreement, the District agrees that subject to Sections 2.01 and 2.05(b) it will pay Developer for all sums advanced to, or on behalf of, the District to the maximum extent permitted under the Rules of the Commission, including payment of interest on the funds so advanced to or paid on behalf of the District subject to the Developer's thirty percent (30%) contribution if required by the Commission. The District agrees that if the District qualifies for an exception to the 30% contribution rule, it will apply for a waiver of such rule.

Section 2.08: Bond Application. At such time as Developer and the District agree that within eight (8) months there shall be sufficient taxable value located within the 27 Acres which along with the projected growth in taxable value within the 27 Acres will be sufficient to pay the debt service on the proposed bonds in accordance with the terms of this Agreement, the Board of Directors of the District shall authorize its consultants to prepare and file an application with the Commission for approval of the bonds to reimburse Developer for that portion of the Project; provided, however, such bond application must be in an amount not less than \$1,000,000.

Section 2.09: Funding. Notwithstanding, the foregoing procedures related to the issuance of bonds, the District reserves the right to secure other sources of financing sufficient to reimburse the Developer in the amounts and on the dates specified above.

ARTICLE III PARK AND RECREATIONAL FACILITIES

Section 3.01. Trail/Buffer. Within thirty days (30 days) of execution of this Agreement, the Developer shall grant to the District a perpetual, but terminable easement, conveying a forty-foot strip of land along Cypresswood Drive right-of-way line and along the north side of the Developer's property line of the Tract as shown on Exhibit "H" hereto (the "Trail Property"). Such grant shall be for nominal consideration and shall be in the form as shown on Exhibit "I" attached hereto. Within the easement

area on the 27 Acres, no streets or roads will be permitted except for three perpendicular crossings that may either be driveways or public streets. In the event Section 3.07 applies, within the easement area or the Additional 15 Acres, no streets or roads will be permitted except for two perpendicular crossings that may be either driveways or public streets. No buildings, structures, parking lots, or signs other than traffic and pedestrian control signs or street lights, will be permitted. The easement for the Trail Property shall contain a provision allowing the Developer to terminate the easement in the event that the Annexation Tract is not annexed into the District by filing a termination notice, without the need for the District's joinder in the Harris County Deed Records.

Section 3.02. Annexation of Annexation Tract. Concurrent with the annexation of the Annexation Tract, the easement of the Trail Property shall no longer be terminable, even if the District does not purchase the Park Property. Upon Annexation of the Annexation Tract, the Out-of-District Service agreement to serve Raveneaux Country Club between the District and Woodmar Limited dated April 8, 1979, along with any amendments or supplements thereto ("Out-of-District Agreement") shall be terminated. Developer agrees to cause the termination of the Out-of-District Agreement and provide written confirmation to the District.

Section 3.03. 31 Acre Tract. Upon annexation of the Annexation Tract, the Developer shall convey to the District the approximately twenty acres between Champion Forest Drive and Dry Gulley and the approximately eleven acres east of Dry Gulley of the Park Property as described in Exhibit "N" attached hereto (the "31 Acre Tract"). Such deed shall restrict the use of the 31 Acre Tract for detention, drainage, park and open space uses, including use by the Developer as a walking trail and landscaped area. No portion of the 31 Acre Tract shall be included in the Lease described in Section 3.06. The District agrees that it will provide to the Developer a 25-foot wide water line easement within the 31 Acre Tract for the installation by Developer of a reclaimed-water line to provide irrigation to the Lease Tract at a mutually acceptable location by both the Developer and the District.

Section 3.04. Park Property. The District agrees to purchase from the Developer a significant portion of the Tract as described in Exhibit "J" attached hereto (the "Park Property"). The Park Property consists of the 285 acres of the Tract, except the 27 Acres (which is subject to the Trail Property easement), and a portion of the Park Property is subject to the Lease, also known as the Lease Tract described herein. Purchase of the Park Property shall be through a special warranty deed and pursuant to a purchase contract in substantially the form attached hereto as Exhibit "K," such purchase contract is to be executed within 30 days after the annexation of the Annexation Tract. The purchase price for the Park Property will be five million five hundred thousand dollars (\$5,500,000). The purchase of the Park Property includes fee simple title to the Trail Property except for the portion of the Trail Property located within the 27 Acres, which

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will remain a permanent easement as described in Section 3.01. The deed for the Park Property will reserve a right to the Developer to dedicate easements for underground utilities to serve the 27 Acres with water, sewer, and drainage, at a mutually agreed upon location approved by the District, such approval not to be unreasonably withheld, across the Park Property, but not merely along the perimeter of the 27 Acres. The deed shall further state that a portion of the consideration for the conveyance is the Lease, and that the conveyance is subject to the Lease, which will be executed simultaneously with the deed.

To make the \$5,500,000 payment to the Developer, the District intends to hold a park bond election in November 2008 for the authorization of bonds in an amount sufficient to pay the purchase price described herein. The payment to the Developer shall be subject to approval of the Commission. The District is required at its sole cost and expense to obtain an appraisal under the Commission rules. To the extent that the appraisal concludes that the Park Property is worth more than the \$5,500,000, the District agrees to reasonably cooperate with the Developer for the Developer to obtain any federal tax benefits from the donation of property to a political subdivision.

and to remove dirt from the leased property in an amount sufficient to remove the 26 Acres from the 100 year flood plain

The District reserves the right to fund the purchase price of the Park Property through other sources of financing sufficient to reimburse the Developer in the amounts and on the dates specified hereto.

Purchase of the Park Property shall be subject to the District's receipt, at its sole cost and expense, of a Phase I environmental report that concludes that there are no environmental liabilities associated with the Park Property and a title policy issued by a title company selected by the District.

Section 3.05. Construction of Trail Property. Within the Trail Property, the District shall be authorized to construct a walking trail, to install plants, trees or shrubs and to build a berm. On the portion of the Trail Property in the vicinity of the Cypresswood Drive bridge over Cypress Creek, as illustrated on Exhibit "H," the District agrees that the trail will not materially interfere with the existing golf cart path. The Developer will reserve the right for any existing golf cart path crossing the Trail Property in the vicinity of the Cypresswood Drive bridge over Cypress Creek. The District shall be required to bring the trail to street level and to work with Harris County to allow pedestrian access to the Cypresswood Drive bridge over Cypress Creek. Any golf cart paths within the Trail Property shall become the property of the District.

Section 3.06. Lease. The District and the Developer agree that a portion of the Park Property is intended to continue to be used as a golf course or other qualifying recreational uses. The District agrees to lease that portion of the Park Property described in Exhibit "L" attached hereto (the "Lease Tract") in accordance with the form

of ground lease attached hereto as Exhibit "M" (the "Lease"). The Lease shall be executed at the time of conveyance of the deed of the Park Property and a memorandum of lease shall be recorded simultaneously with the deed. The Developer and the District agree that the Additional 15 Acres (as defined herein) and the 31 Acre Tract (as defined above) shall not be subject to the Lease.

Section 3.07. Failure to Acquire Park Property. In the event that the District is unable to purchase the Park Property as provided in Section 3.04 by December 31, 2009, whether through unlimited tax park bonds, other revenue bonds or notes issued by the District or other methods, then the provisions of Sections 3.04 and 3.06 of this Article shall terminate. The Developer shall continue to be obligated to execute and deliver the Trail Easement to the District as described in Sections 3.01 and 3.02. In the event that the District is unable to purchase the Park Property, the Developer agrees that it will file a deed restriction on the Park Property in substantially the form attached hereto as Exhibit "Q" restricting its use to golf course and related purposes.

In such an event, the Developer shall be entitled to develop an additional fifteen acres as described on Exhibit "O" (the "Additional 15 Acres") and the District shall be obligated to provide water supply and sewage treatment service to improvements therein. Development of the Additional 15 Acres shall be limited to two-, three- and four-story townhomes, villas, and/or single family homes and reimbursement of the water, sewer and drainage facilities for the Additional 15 Acres shall be subject to the provisions of Article II. In such an event, the Developer agrees that it will file a deed restriction on the Additional 15 Acres in substantially the form attached hereto as Exhibit "P". Within the portion of the Trail Property located within the Additional 15 Acres, no streets or roads will be permitted except for two perpendicular crossings that may either be a driveway or a public street. No buildings, structures, or signs, other than traffic control signs, will be permitted.

ARTICLE IV DEFAULT

Section 4.01: Default by Developer. In the event of default by Developer which is not cured within thirty (30) days after written notice thereof, or if Developer is diligently pursuing a cure, a reasonable amount of time to cure will be given to the Developer, the District shall have the option to

(a) assume the outstanding contracts and prosecute construction of the Project to conclusion. In the event the District exercises this option, the District shall pay to Developer the amount of the advances, less all amounts paid to contractors, and all out-of-pocket expenses incurred in prosecuting completion of the facilities; and

(b) terminate water and sewer service to any portion of the Tract not already receiving service; and

(c) pursue all other remedies provided by law;

provided, however, Developer has received written notice of such default and has failed to cure such default within 30 days of receipt of such notice or a reasonable amount of time if Developer is diligently pursuing a cure.

Section 4.02: Default by Either Party. In the event of default by either party hereto, either party may employ attorneys to pursue its legal rights; and the prevailing party shall be entitled to payment by the other party of all reasonable attorneys' fees incurred by the prevailing party.

Section 4.03. Limited Waiver of Sovereign Immunity. The District agrees that the provisions of Article II and Section 3.04 shall constitute a contract subject to the provisions of Subchapter I of Chapter 271, Texas Local Government Code. Further, to the extent allowed by law, the District waives its rights to sovereign immunity as to an action in equity by the Developer for a writ of mandamus or specific performance to enforce all the terms of this Agreement. The District does not waive its rights to sovereign immunity for any other actions or for any amount of money beyond the amounts provided in Section 2.01 and Section 3.04.

ARTICLE V MISCELLANEOUS

Section 5.01: Severability. The provisions of this Agreement are severable, and if any provision or part of this Agreement or the application thereof to any person or circumstance shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such provision or part of this Agreement to other persons or circumstances shall not be affected thereby. The Developer agrees that it will not file or participate in any proceeding before any court or legislative body to challenge the validity or constitutionality of any provision of this Agreement.

Section 5.02: Modification. This Agreement shall be subject to change or modification only with the mutual written consent of Developer and the District.

Section 5.03: Assignability. This Agreement shall be assignable by Developer provided that the Developer provides notice of such assignment to the District and the assignee executes a written acceptance of the terms and conditions of this Agreement.

Section 5.04: Captions. The captions appearing at the first of each numbered section or paragraph in this Agreement shall never be considered or given any effect in construing this Agreement.

Section 5.05: Applicable Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of Texas.

Section 5.06: Parties at Interest. This Agreement shall be for the sole and exclusive benefit of the parties hereto and shall never be construed to confer any benefit to any third party, except the successor in title to the Tract.

Section 5.07: Term. Except as otherwise provided herein, this Agreement shall be in force and effect from the date of execution hereof for a term of forty (40) years or until the transactions contemplated herein are consummated, whichever first occurs. The District and the Developer agree that either party may terminate this Agreement within six months of any legal action filed by any party challenging this Agreement, seeking to enjoin the annexation of the Annexation Tract into the District, or seeking damages by virtue of this Agreement; provided, however, once the District annexes the Annexation Tract, neither party will be allowed to terminate this Agreement.

Section 5.08: Force Majeure. If either party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Agreement, then the obligations of either party to the extent affected by such force majeure and to the extent that due diligence is being used to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure", as used herein, shall include, without limitation of the generality thereof, acts of God, strikes, lockouts, or other industrial disturbances, acts of the public enemy, orders of any kind of the Government of the United States or of the State of Texas or any civil or military authority, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, storms, floods, washouts, droughts, arrests, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipe-lines or canals, partial or entire failure of water necessary for operation of the sewer system, or of the District to receive waste, and any other incapacities of either party, whether similar to those enumerated or otherwise, which are not within the control of either party, which either party could not have avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of either party, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demand of the opposing party or parties when such settlement is unfavorable to it in the judgment of the affected party.

Section 5.09. Lienholder Subordination. The Developer agrees to cause any lienholder on the Tract to subordinate its rights as to the Tract to the terms and conditions contained in this Agreement. The Developer and the District agree that this Agreement shall not be effective unless and until the Developer's lienholder(s) execute a subordination to this Agreement.

Section 5.10. Agreement. Both Parties state that this Agreement, the transactions contemplated herein, and the execution and delivery of this Agreement are duly authorized.

Section 5.11. Counterparts. This Agreement may be executed in multiple counterparts that, when assembled, shall form one fully enforceable document, and signatures executed by facsimile shall have the same force and effect as originals.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement in multiple copies, each of equal dignity, as of the date and year set forth on the first page hereof.

CYPRESS FOREST PUBLIC UTILITY DISTRICT

By:

Thomas J. Brub

Thomas J. Petrick
President, Board of Directors

ATTEST:

Fred P. Jones

Name: Fred P. Jones

Title: Secretary, Board of Directors

Name:

Title:

Date/Time: 3:45 p.m. 9/5/08


(SEAL)



EXECUTION COPY

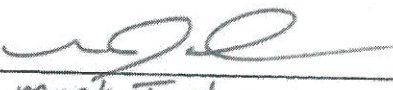
JP Raveneaux Partners LP,
a Texas limited partnership

By: Raveneaux Management, Inc., its general partner

By: 
Name: MA
Title: President

Kera Development, L.P.,
a Texas limited partnership

By: Verren II-GP, LLC, its general partner

By: 
Name: Mark Jordan
Title: Member Manager

Date/Time: 1:50 pm
9-5-08

EXHIBIT LIST

- A Description of 285 acres that is Raveneaux Country Club
- B Map of Annexation Tract
- C Annexation Petition
- D Map and Metes and Bounds of 27.459 Acres
- E Land Use Restriction Agreement for 27 Acres
- F Fee Strip, Access and Drainage, Sewer and Water Line Easement
- G Current Cost Estimate of Water, Sewer and Drainage Facilities to serve 27 Acres
- H Map of Trail Property
- I Trail Easement
- J Map for Park Property
- K Purchase Contract of Park Property
- L Map of Park Property Lease
- M Lease Agreement by and between Landlord and Tenant
- N Map of 32.66 Acre Tract
- O Metes and Bounds and Map of 13.67 Acres (Also known as 15 Acres)
- P Land Use Restriction Agreement for Additional 13.67 Acres
- Q Land Use Restriction Agreement for the Park Property