RESOLUTION NO. 2005-12-02

A RESOLUTION OF THE CITY OF WESTON, TEXAS, APPROVING A DEVELOPMENT AGREEMENT PURSUANT TO SUBCHAPTER G, CHAPTER 212 OF THE TEXAS LOCAL GOVERNMENT CODE BETWEEN THE CITY OF WESTON AND HONEY CREEK PARTNERS, L.P., A TEXAS LIMITED PARTNERSHIP AND WESTON LAND LTD., A TEXAS LIMITED PARTNERSHIP GOVERNING DEVELOPMENT OF APPROXIMATELY 1,611.83 ACRES OF LAND, TO BE NAMED THE PARKS OF HONEY CREEK, LOCATED JOINTLY WITHIN THE CITY'S TERRITORIAL LIMTS AND EXTRATERRITORIAL JURISDICTION; PROVIDING FOR THE CONTINUATION OF EXTRATERRITORIAL STATUS; PROVIDING FOR FUTURE ANNEXATION OF THE LAND; PROVIDING FOR A DEVELOPMENT PLAN; AUTHORIZING THE ENFORCEMENT OF LAND USE AND DEVELOPMENT REGULATIONS OTHER THAN THOSE THAT CURRENTLY APPLY WITHIN THE CITY; PROVIDING FOR THE DESIGN, CONSTRUCTION, FINANCING, MAINTENANCE AND CONVEYANCE OF COMPREHENSIVE ROAD AND UTILITY INFRASTRUCTURE IMPROVEMENTS; SPECIFYING THE USES AND DEVELOPMENT OF THE LAND AFTER ANNEXATION; PROVIDING CONDITIONS FOR CONSENT TO THE CREATION OF A WATER DISTRICT; PROVIDING FOR THE CREATION OF A PUBLIC SERVICE PLAN; PROVIDING FOR MUTUAL CONSIDERATION BY THE PARTIES; PROVIDING FOR A FINANCING MECHANISM BEYOND THE CURRENT FISCAL YEAR; PROVIDING FOR ADDITIONAL NON-SUBSTANTIVE PROVISIONS; AUTHORIZING THE MAYOR TO EXECUTE THE AGREEMENT; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Weston, Texas is a Type A general-law municipality located in Collin County, created in accordance with the provisions of Chapter 6 of the Local Government Code and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, Section 212.172 of the Texas Local Government Code authorizes a municipality to make a written contract ("Development Agreement") with an owner of land that is located in the Extraterritorial Jurisdiction of the municipality to:

(1) guarantee the continuation of the extraterritorial status of the land and its immunity from annexation by the municipality for a period not to exceed 15 years;

(2) extend the municipality's planning authority over the land by providing for a development plan to be prepared by the landowner and approved by the municipality under which certain general uses and development of the land are authorized;

(3) authorize enforcement by the municipality of certain municipal land use and development regulations in the same manner the regulations are enforced within the municipality's boundaries;

(4) authorize enforcement by the municipality of land use and development regulations other than those that apply within the municipality's boundaries, as may be agreed to by the landowner and the municipality;

(5) provide for infrastructure for the land, including:

(A) streets and roads;
(B) street and road drainage;
(C) land drainage; and
(D) water, wastewater, and other utility systems;

(6) authorize enforcement of environmental regulations;

(7) provide for the annexation of the land as a whole or in parts and to provide for the terms of annexation, if annexation is agreed to by the parties;

(8) specify the uses and development of the land before and after annexation, if annexation is agreed to by the parties; or

(9) include other lawful terms and considerations the parties consider appropriate; and

WHEREAS, the owner of land that is located in the Extraterritorial Jurisdiction of the City, said land being further described in Exhibit "A" attached hereto (the "Land"),desires to develop the Land and the development shall include, but not be limited to, the construction and financing of certain water, sanitary sewer, drainage, road infrastructure and other similar public infrastructure facilities and services; and

WHEREAS, the owner of the Land seeks the cooperation from the City to provide treated water and wastewater services to serve the Land; and

WHEREAS, in order to provide the necessary infrastructure facilities and services to the Land the owner desires to enter into a Development Agreement with the City; and

WHEREAS, in consideration for the foregoing the owner of the Land intends to dedicate to the City those certain water, sanitary sewer, drainage, road infrastructure and other similar public infrastructure improvements, agrees to future voluntary annexation of the entire property, make available newly constructed infrastructure improvements to current residents of the City, and provide other services and property as further described in the Development Agreement; and

WHEREAS, the proposed Development Agreement shall include, but not be limited to, development of the Land consisting of approximately 1,611.83 acres, to be named the Parks of Honey Creek, located jointly within the City's territorial limits and extraterritorial jurisdiction; provide for the continuation of extraterritorial status; provide for future annexation of the Land; provide for a development plan; authorize the enforcement of land use and development regulations other than those that currently apply within the city; provide for the design, construction, financing, maintenance and conveyance of comprehensive road and utility infrastructure improvements; specify the uses and development of the Land after annexation; provide conditions for consent to the creation of a Water District; provide for the creation of a public service plan; provide for mutual consideration by the parties; provide for a financing mechanism beyond the current fiscal year; and provide for additional non-substantive provisions; and

WHEREAS, the City Council has thoroughly reviewed the proposed Development Agreement, attached hereto and incorporated herein as Exhibit "A", and has determined that the Development Agreement is in the best interests of the City of Weston and its citizens; and

WHEREAS, the City Council desires to approve the Development Agreement governing the future development of the Land and would direct the Mayor to execute the Development Agreement on behalf of the City and the City Secretary to file a copy of the fully executed Development Agreement in the real property records of the County.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF WESTON, TEXAS:

SECTION 1.

That the Development Agreement, attached hereto and incorporated herein as Exhibit "A" to this Resolution, is hereby in all things approved. A copy of the Development Agreement shall be kept on file with the Office of the City Secretary.

SECTION 2.

That the Mayor of the City of Weston is hereby authorized to execute the Development Agreement and the City Secretary is directed to file a copy of the fully executed Development Agreement in the Collin County property records.

SECTION 3.

That this Resolution shall be effective on and from its date of passage indicated below and it is so resolved.

RESOLVED AND ENTERED this the 13th day of December, 2005.

CITY OF WESTON

Patti Harrington

Patti Harrington, MAYOR

ATTEST:

Susan M Coffer

City Secretary

DEVELOPMENT AGREEMENT

(City of Weston – The Parks of Honey Creek Project)

This Development Agreement (this "Agreement") is made and entered into by and between the City of Weston, Texas, a municipal corporation (the "Municipality"), and Honey Creek Partners, L.P., a Texas limited partnership and Weston Land Ltd., a Texas limited partnership (collectively, the "Owner") to be effective the 13th day of December, 2005 (the "Effective Date").

R E C I T A L S

WHEREAS, the Municipality is a type A general law municipality located wholly within Collin County, Texas (the "County"), with an estimated population as of the Effective Date of less than 5,000; and

WHEREAS, the Owner is a Texas limited liability corporation, whose principal office is located in Addison, Dallas County, Texas; and

WHEREAS, Owner and Municipality are individually referred to as a "Party" and collectively as the "Parties"; and

WHEREAS, the Owner owns 1,611.83 acres of land, more or less, located wholly within Collin County, Texas, as more particularly illustrated in ***Exhibit "A"*** attached hereto and incorporated herein for all purposes (the "Property"), and Owner proposes to develop the Property into a master planned mixed use community to be known as "The Parks of Honey Creek" (the "Project"); and

WHEREAS, approximately 1,554.13 acres of the Property (the "ETJ Tracts") are located wholly within the extraterritorial jurisdiction ("ETJ"), as such term is used in Chapter 42, Local Government Code, of the Municipality, and are more particularly described by metes and bounds in ***Exhibit "B-1"*** attached hereto; and

WHEREAS, approximately 57.70 acres of the Property (the "In-City Tracts") are located wholly within the corporate boundaries of the Municipality, and are more particularly described by metes and bounds in ***Exhibit "B-2"*** attached hereto; and

WHEREAS, a portion of the Property is located within water Certificate of Convenience and Necessity ("CCN") No. 12330 issued to the Weston Water Supply Corporation (the "Weston WSC"); however, only a small portion of the Property is currently served by the Weston WSC; and

WHEREAS, no portion of the Property is located within a sewer CCN; however, the Municipality has filed an application with the Texas Commission on Environmental Quality (the "TCEQ") for the issuance of a sewer CCN to include the area within the Municipality's current corporate boundaries and the Property (the "Sewer CCN"); and

WHEREAS, the Property is located within the planning area of (a) the North Texas Municipal Water District (the "NTMWD"), which is the wholesale treated water and wastewater treatment service provider to the area of the Municipality and Property, and (b) the outer limits of the Greater Texoma Utility Authority; and

WHEREAS, the Municipality has approached Collin Grayson Municipal Alliance (the "Alliance") about purchasing wholesale treated water through an existing water supply contract between the Alliance and NTMWD; and

WHEREAS, the County has constructed, owns, and maintains certain roads located within the ETJ Tracts, as well as certain roads that are located outside of the ETJ Tracts and the Municipality, and certain improvements thereto will be necessary for and benefit the Property; and

WHEREAS, the County currently provides directly or indirectly certain essential public services, consisting of police, fire protection, and emergency services in the area comprising the ETJ Tracts; and

WHEREAS, the Owner desires to develop the Property as a master planned mixed use community represented initially by the concept plan (the "Concept Plan") shown on ***Exhibit "C"*** attached hereto and incorporated herein for all purposes; and

WHEREAS, the Owner has agreed to impose certain restrictive covenants upon the Property and to take other actions as set forth herein to optimize the longevity of the Project as a viable development; and

WHEREAS, the Municipality is agreeable to the Property being developed as a master planned community within its corporate boundaries on the terms as set forth herein; and

WHEREAS, the Municipality has further agreed to approve the Concept Plan, approve final plats of the respective development phases in accordance with such Concept Plan, and to take other actions to effectuate the Concept Plan for the benefit of Owner, the end use owners of the lots within the Property and the public; and

WHEREAS, the Parties agree to provide for the annexation of the ETJ Tracts into the Municipality's corporate boundaries and, subject to the terms and provisions of this Agreement, the Owner has determined to submit on a voluntary basis the petition and other documentation necessary to accomplish such annexation under Chapter 43, Local Government Code; and

WHEREAS, the Owner desires to create one or more conservation and reclamation districts pursuant to Article XVI, Section 59 of the Texas Constitution within the corporate limits of the Municipality to include all of the Property to provide for water, sanitary sewer, drainage, and road infrastructure to serve the Property; and

WHEREAS, the Owner intends to petition the County for the creation of a fresh water supply district (the "Original FWSD") to include all of the Property, and thereafter, upon the terms and conditions as set forth herein, to provide for the division of the Original FWSD into

additional resulting fresh water supply districts within the Municipality's corporate limits by means of a series of district division elections pursuant to Chapter 53, Texas Water Code; and

WHEREAS, in the alternative, the Owner, at its election, may petition the TCEQ for the creation of one or more municipal utility districts (the "Original MUD" or the "Original MUDS") or a water control and improvement district (the "Original WCID") to include all of the Property, and thereafter, upon the terms and conditions as set forth herein, to provide for the division of the Original WCID into additional water control and improvement districts within the Municipality's corporate limits by means of a district division election pursuant to Chapter 51, Texas Water Code; and

WHEREAS, the Original FWSD, the Original WCID, and any Original MUD are hereinafter referred to as an "Original District", and a district resulting from the division of the Original FWSD or the Original WCID are hereinafter referred to as a "Resulting District"; and

WHEREAS, an Original District and any Resulting District are sometimes hereinafter referred to individually as "District" and collectively as "Districts"; and

WHEREAS, subject to the terms and provisions of this Agreement, the Municipality has agreed to consent to the creation of an Original District and each of the Resulting Districts to include the Property within its corporate boundaries and such other additional property as may be annexed into a District with the consent of the Municipality (which consent shall not be unreasonably withheld, conditioned or delayed) based upon certain conditions set forth herein; and

WHEREAS, the Parties have determined that the Municipality would be the entity best suited to serve as the retail treated water provider and the retail sewer provider to the Property; and shall reasonably cooperate to achieve the Municipality's legal designation as such; and

WHEREAS, the Owner recognizes the need for a water supply and distribution system and wastewater collection and treatment system to provide an adequate supply of treated water and wastewater treatment; and a need for an adequate system of roads within and to provide access to and egress from the Property on a dependable basis; and

WHEREAS, the Municipality has recognized a public need to protect the scarce supply of water and water quality within its corporate limits and its extraterritorial jurisdiction, and the Municipality desires to effectuate the construction and its ultimate acquisition of water and wastewater facilities to serve the Municipality, including the Property, as well as provide for a system of roads (the adequacy of all such facilities and roads to serve the Property shall be calculated by the Municipality's engineer based upon data provided by Owner's engineer); and

WHEREAS, the parties further recognize the need to provide for certain essential public services for the Project, including police protection, fire protection and emergency service, and solid waste management; and

WHEREAS, subsequent to creation and subject to conducting of necessary elections, the Districts will be authorized: (a) to acquire, construct, and finance water supply and distribution facilities and wastewater collection and treatment facilities, and convey ownership thereof to the

Municipality; (b) to acquire, construct, finance, operate, and maintain a system of roads and road improvements, including drainage facilities; (c) to acquire, construct, and finance a fire department and emergency medical services; and (d) to perform other functions, including solid waste management and peace officer services; and

WHEREAS, it is the express intent of the Municipality and the Owner that, upon its due creation, the Original District, and each Resulting District will become a Party to this Agreement, and the Municipality's consent to the creation of an Original District is expressly subject thereto; and

WHEREAS, subject to the terms and conditions hereof, the Owner has agreed that Owner and each District will provide for the design, construction, installation, and financing of water supply and distribution and sanitary sewage collection and treatment facilities and certain roads and related drainage facilities which will serve the Property as described in Articles V and VI herein below; and

WHEREAS, the design, construction, installation, and financing of such facilities will be made in phases within each District. Each District will issue its bonds to acquire such utility and road improvements and reimburse the Owner for its expenditures relative to the acquisition and construction thereof, and will convey same to the Municipality. Because each District will assume the financial responsibility of the Municipality to provide water, sanitary sewer, and drainage facilities and roads and road improvements to the Property within the Municipality, each District desires to receive payments from the Municipality, which payments shall be applied solely to the debt service requirements of the bonds to be issued by each District for such water, sanitary sewer, and drainage facilities and roads. The Municipality is amenable to such arrangement and acknowledges that the financial commitments of the Owner and the Districts benefit the Municipality generally, as well as the land within each District's boundaries, promote continuing and orderly economic development within the Municipality, and allow the Municipality to secure a superior long term source of water supply and waste treatment service and/or facilities and roads without the Municipality being obligated to expend its own funds or issue its own bonds for such purpose; and

WHEREAS, the Owner has represented to the Municipality that Owner and, to extent permitted by law, the Districts will participate in financing or providing for certain essential public services for the Project, including peace officer services, fire protection and emergency services, and solid waste management; and

WHEREAS, the Parties have the authority to enter into this Agreement including, but not limited to, the authority granted by Section 212.172, Local Government Code, Section 402.014, Local Government Code, Section 257.003, Transportation Code, Chapters 791 and 1471, Government Code, and Chapters 30, 49, and, where applicable, 51, 53, or 54, Texas Water Code.

NOW THEREFORE, for and in consideration of the above recitals and the terms, conditions and agreements stated in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

Article I. Purposes, Term and Consideration.

1.01 Purposes. The Parties desire to enter into this Agreement to provide for the development of the Property on a mutually acceptable basis, and making provisions for the water and wastewater facilities (the "Onsite Utility Facilities") and roads, roadway improvements, and related drainage (the "Onsite Roads") to be located on the Property (collectively, "Onsite Infrastructure"). The term "Onsite Roads" shall also include any County roads (including, without limitation, all rights-of-way associated therewith) currently located within the Property that may be conveyed to the Municipality by operation of law upon annexation of the Property, and the reconfiguration and relocation (in whole or in part) of such County roads to the extent required in order to conform with the Concept Plan. It is the further purpose of this Agreement to provide for participation in the funding of construction of certain improvements located offsite necessary to bring wholesale water and wastewater service to the Property (the "Offsite Utility Facilities"), as well as the construction of improvements to certain County roads (collectively, "Offsite Road Improvements") as determined in Article V hereinbelow (the Offsite Utility Facilities and Offsite Road Improvements, collectively, "Offsite Infrastructure") (Onsite Infrastructure and Offsite Infrastructure, collectively "Infrastructure") to the extent such Offsite Infrastructure is reasonably necessary for development of the Property and does not exceed the standards set forth herein. The Offsite Utility Facilities shall consist of the following proposed facilities: high service pump station and trunk water transmission line; ground and elevated water storage facilities; wastewater treatment plant or other facilities approved by the Parties; and major gravity trunk sewer lines that connect directly to the wastewater treatment plant or other facilities approved by the Parties. It is the intent and purpose of the Parties, pursuant to the terms and provisions of this Agreement, to agree on the development of the Property, provision of Infrastructure, the provision of utility and other essential public services, and the other following specific issues set forth herein.

1.02 Consideration. The covenants of, benefits to, and performances by, the Parties set forth in this Agreement, the payments by the Parties provided herein, and the mutual promises expressed herein, are good and valuable consideration for this Agreement, the sufficiency of which is hereby acknowledged by the Parties.

1.03 Initial Term.

(a) The initial term of this Agreement shall be fifteen (15) years from the Effective Date (the "Initial Term"). Notwithstanding the foregoing, however, in the event that the Property is not finally annexed into the corporate boundaries of the Municipality as contemplated in Article III below on or before December 31, 2006, this Agreement shall automatically terminate in all respects and all Parties shall be relieved of any and all liability or obligation hereunder. Each Party agrees to execute such further documents or instruments in recordable form as may be reasonably requested from time to time by the other Party to evidence the termination of this Agreement pursuant to this Section 1.03(a).

(b) Within six (6) months from the District Creation Date (hereinafter defined) the Owner shall convey no less than 3.6 acres to Municipality pursuant to Section 2.02 herein below. In addition, the Owner shall diligently proceed in good faith to complete the following actions (collectively, "Owners Obligations"):

(i) secure Municipality's approval of the "final plat" of the initial 150 lots within the Property;

(ii) dedicate an amount of land within the "final plat" of the initial 150 lots within the Property for open space and park purposes in conformance with the Concept Plan;

(iii) initiate District construction of the initial phase of the WWTP (hereinafter defined) or enter into a binding financial guarantee with the District in a form reasonably acceptable to the Municipality for payment therefor; and

(iv) initiate District acquisition of retail water service sufficient for at least 150 lots within the Property or enter into a binding financial guarantee with the District in a form reasonably acceptable to the Municipality for payment therefor.

(c) On January 15, 2006, and on each July 15 and January 15 thereafter until such time as Owner has fully performed Owner's obligations, Owner shall issue a written report to Municipality regarding the status of performance of each of Owner's Obligations.

1.04 Subsequent Terms. In the event that (a) construction of all Infrastructure has not been completed, and (b) all persons who provided funds for the construction of such improvements on behalf of the Districts have not been fully reimbursed for all eligible expenditures from bonds issued by the Districts or from funds provided by the Municipality, as of the expiration of the Initial Term, then the term of this Agreement shall be extended for an additional fifteen (15) year term (the "First Subsequent Term"). Similarly, in the event that the conditions set forth in (a) and (b) of this Section 1.04 have not been satisfied as of the expiration of the First Subsequent Term, then the term of this Agreement shall be extended for a third and final fifteen (15) year term (the "Final Subsequent Term").

Article II. Development Plan; Building Permits.

2.01 Permitted Land Use and Maximum Densities. The list of permitted land use categories applicable to the Property and maximum development density permitted for each use as set forth on the Concept Plan, as the same may be amended pursuant to Section 2.03(b) below, shall apply at all times during the terms of this Agreement. The initial allocation of permitted land uses across the Property is shown on a "parcel" basis on the Concept Plan. It is acknowledged and agreed by the Parties that while the size, configuration, and location of a parcel may be adjusted as the Property is platted, the list of permitted land use categories and the maximum development density permitted for each use as set forth in the Concept Plan may not change except pursuant to Section 2.03(b) below.

2.02. Designation of Public Areas. The Concept Plan also designates open spaces coordinated throughout the Property. Open spaces, park areas, and school sites shall contain no less than 250 acres within the Project, less any portion thereof necessary for road right-of-way or other public use. Such open space shall be dedicated in phases as the Property is finally platted by the Owner. A proposed final plat for each phase of the Project shall include an amount of open space in conformance with the Concept Plan. Land located within the flood plain shall be

considered as qualified "open space" for purposes of satisfying the aforementioned 250 acre requirement and shall be included in open space calculations. Ownership of open spaces and park areas shall be dedicated to one or more public improvement districts ("PID" or "PIDs") to be created by Municipality to include the Property pursuant to Chapter 372, Local Government Code, for the use and enjoyment of the general public. The PIDs shall be responsible for the maintenance and upkeep of all open spaces and park areas dedicated for the use and enjoyment of the general public. The Owner shall convey to the Municipality 3.6 acres of land as shown on the Concept Plan and as more particularly described on ***Exhibit "D"*** attached hereto and made a part hereof, for the location of certain municipal facilities, subject to (a) the creation of restrictive covenants limiting the use of such portion of the Property for certain stated municipal functions only, and providing that any improvements constructed thereon will be consistent and harmonious with the architectural theme of the Project, and (b) the time period during which construction and completion of the municipal facilities must be commenced and completed in association with residential construction. The 3.6 acres shall be gifted by Owner at no cost to the Municipality, and Owner shall bear any and all associated costs and expenses in connection with the City's acquisition of such 3.6 acres of land including, but not limited to, any title insurance premiums for any title policy desired by the Municipality, any cost for any survey desired by the Municipality, any recording fees, normal and customary proration of taxes and the agreement by the Municipality to assume, be solely responsible for, any and all rollback taxes attributable to the 3.6 acres of land and to indemnify and hold Owner harmless therefrom.

2.03 Governing Regulations.

(a) Development of the Property shall be governed by: (i) the Concept Plan; (ii) the Municipality's Subdivision Ordinance as identified on ***Exhibit "E"*** attached hereto, as amended by the provisions of Sections 2.05 and 2.07 below and ***Exhibit "H"*** attached hereto (the "Amended Subdivision Regulations"); (iii) the Municipality's Zoning Ordinance as identified on ***Exhibit "F"*** attached hereto, as amended by the provisions of Sections 2.05 and 2.07 below and ***Exhibit "H"*** attached hereto (the "Amended Development Regulations"); (iv) the Municipality's building and technical construction codes, as identified on ***Exhibit "G"*** attached hereto, as amended by the provisions of Sections 2.05 and 2.07 below (the "Amended Building Codes"); and (v) construction plats and final plats for portions of the Property that are approved, from time to time, by the Municipality (the "Approved Plats"). The Concept Plan, Amended Subdivision Regulations, Amended Development Regulations, Amended Building Codes, and Approved Plats shall hereinafter be referred to collectively as the "Governing Regulations." Development of the Property shall be governed exclusively by the Governing Regulations, which may be amended with respect to the Property without the prior written consent of Owner. Notwithstanding the foregoing, those provisions of the Governing Regulations that may not be amended by the Municipality without the prior written consent of the Owner are specifically set forth in Sections 2.05 and 2.07 below and in ***Exhibit "H"*** attached hereto.

(b) Subject to Section 2.03 (a), which shall be controlling in all events, the following shall apply:

(i) No change in the Concept Plan that requires a change in zoning district, specific use permit, special exception, or variance to the technical requirements of the zoning ordinance, shall be approved except in accordance with the provisions of the Amended Development

Regulations. Any application for a change in zoning district standards other than a request for a variance from the Municipality's Board of Adjustment will ultimately include consideration and action by the Municipality's City Council.

(ii) No change in the Concept Plan hat requires a minor plat, amended plat, vacating plat, preliminary or final plat, development plat, or replat, shall be approved except in accordance with the Amended Subdivision Regulations. An application for a change from subdivision standards will ultimately include consideration and action by the Municipality's City Council.

(iii) The Owner agrees that the reasonableness of discretionary decisions by the Municipality's advisory, quasi-judicial, and legislative bodies, as they relate to applications for amendment to land use and development regulations set forth herein, shall be governed by statutory and case law applicable to zoning, platting and regulatory administration inside the Municipality's limits.

(c) Development of the Property shall also be subject to ordinances that the Municipality is required to adopt, from time to time, by state or federal law; provided, however, if such state or federal laws allow the Municipality to grant exemptions to such laws for which the Property qualifies, then the Property shall be exempt from such laws, and the Municipality shall take all action necessary to evidence such exemptions. Notice of any ordinance required by state or federal law shall be given to Owner (together with a full-text copy of the proposed ordinance) and shall be conspicuously posted for six months prior to its effective date (with full-text copies available for distribution) in the Municipality's office where building permits are customarily issued. Unless otherwise specifically provided by state or federal law, the effective date of any such ordinance shall be six months after the Municipality gives written notice of the ordinance to Owner. Any such ordinance shall only apply to preliminary plans filed with the Municipality after the effective date of the ordinance. Notwithstanding the foregoing, however, nothing in this section constitutes a waiver of Owner's right to claim that Municipality's ordinance required by state or federal law: (A) does not apply to the Property based on the "vested rights" of Owner, whether such rights arise under Chapter 43, as amended, or Chapter 245, as amended, Texas Local Government Code; (B) does not apply to the Property based on any other legal or equitable theory, whether based on existing or future common-law or state or federal statutes; or (C) such application would constitute an illegal exaction or a "taking" without compensation.

(d) To the full extent permitted by law, the Municipality agrees to take all actions necessary to effectuate the land use and development of the ETJ Tracts after its annexation and the In-City Tracts in accordance with the Concept Plan, including the amendment of its Comprehensive Plan and Amended Development Regulations.

2.04 Building Permits. Except for the temporary manufactured housing permitted by Section 2.05, building permits shall be required for each habitable structure constructed within the Property and no structure shall be occupied until a building permit is issued. Building permits shall be issued by an independent, certified and licensed inspector hired and paid for by

the Municipality (unless and until the Municipality elects to bring such function "in-house" pursuant to Section 2.05); provided, however, that payment of building permit fees shall be the responsibility of the permit applicant. The inspector (whether independent or "in-house") shall respond to an application for a building permit within thirty (30) days from the date of filing. The inspector shall provide monthly written status reports to Owner, the Municipality, and the applicable District stating the number of structures (identified by address) for which construction began, and the number for which certificates of substantial compliance were prepared, during the preceding week. Records of all inspections shall be maintained by the inspector, and such records shall be available for copying by Owner, the Municipality, and the applicable District during normal business hours. In the event any inspection results in the "red-tagging" of a structure for non-compliance and the builder/permittee fails to correct the non-compliance, the Municipality may enforce compliance and prevent the occupancy of the structure until the failure has been corrected to the reasonable satisfaction of the inspector (and all costs and expenses incurred by the Municipality in connection with such enforcement action shall be paid by the responsible builder/permittee).

The fees for building inspections shall not exceed the actual cost charged by the inspector, plus the amount of $50.00, which amount reasonably compensates the City for the administrative expenses incurred to administer the permit. The Municipality agrees to negotiate in good faith with the inspector to ensure that the building inspection fees to be charged by the inspector shall be reasonable, consistent with industry standards, and competitive with fees charged by other inspectors within the same service market. The Owner shall have the right to request the designation of additional building inspectors in the event that the then current inspector is unable to process the building permit applications and perform inspections on a timely basis or for the cause. The additional independent contractor/inspector shall be a firm mutually acceptable to the Parties. The Municipality reserves the right at all times to terminate its contracts for building inspection services, and bring such function "in house". In this event, the Municipality has sole discretion to hire employees of its choosing.

2.05 Temporary Manufactured Housing.

(a) A maximum of five (5) HUD-certified manufactured homes ("Manufactured Housing") within each District are permitted at any given time as necessary for the creation and administration of each District. Owner will notify the Municipality at least 45 days prior to the installation of each unit of Manufactured Housing. The Owner agrees that location of Manufactured Housing on the Property will be temporary and removed from a District as provided in subsection (b) below. The Governing Regulations (including the plat approval process) do not apply to the Manufactured Housing authorized by this section.

(b) The installation of HUD-certified manufactured homes within Property shall be subject to the following:

(i) The Owner and occupants of the above-referenced HUD-certified manufactured homes must not engage in or permit the open storage of materials on the Property. For the purposes of this Section 2.05, the open storage of "materials" includes, but is not limited to, any abandoned motor vehicle, ice box, refrigerator, stove, glass, building material, trailers, mobile machinery, equipment, building rubbish, weeds, dead trees, trash,

and garbage. The prohibition on open storage shall apply regardless of whether the materials are visible from a public right-of-way. Screening of the materials shall only be permitted in accordance with the provisions of Section -105 of the Amended Development Regulations.

(ii) Each HUD-certified manufactured home to be installed must be new and without previous occupant(s). HUD-certified manufactured homes shall not be relocated within the Property and all replacement or additional HUD-certified manufactured homes necessitated for the creation and administration of the District shall be new and without previous occupant(s). Notwithstanding the foregoing, the Owner may install previously occupied HUD-certified manufactured homes of like-new condition with the prior written consent of the City Administrator or Mayor of the Municipality, or their designated representative, which consent shall not be unreasonably delayed or withheld.

(iii) Owner shall use commercially reasonable efforts to actively encourage the use of existing permanent foundation single family residences owned by Owner, when such homes are located within the applicable District or Districts, in lieu of installing HUD-certified manufactured homes. In addition, Owner shall use commercially reasonable efforts to encourage the cohabitation/sharing by potential District board members of HUD-certified manufactured homes within each District to minimize the number of such homes.

(iv) The location of each of the HUD-certified manufactured homes shall require the prior written consent of the City Administrator or Mayor of the Municipality, or their designated representative, which consent shall not be unreasonably delayed or withheld. The City Administrator or Mayor shall consider the location of existing utility infrastructure and roads as well as the need for HUD-certified manufactured homes within each District created.

(v) Owner and/or occupant shall landscape each lot or group of lots containing HUD-certified manufactured homes and shall at all times maintain the following minimum landscaping levels while a HUD-certified manufactured home remains on the lot. All landscaping shall be drought tolerant and shall include:

A. Planting drought tolerant grass to provide coverage for the entire lot with the exception of the portion of the lot not included in driveway, parking area or within footprint of residence;

B. Installing at least one "Canopy" tree, a minimum of four caliper inches in diameter when measured twelve inches above grade, within the required front yard setback. A Canopy tree shall be limited to the following trees: Eastern Red Cedar, Bald Cypress, Bur Oak, Chinese

Pistache, Lacebark Elm, Pecan, Shumard Oak, Southern Live Oak, and Texas Red Oak;

C. Landscaping twenty percent of the lot using bushes, shrubs and/or trees, at least forty percent of which must be installed within the front yard setback;

D. Installing a living screen at least six feet (6') in height within the front yard setback to partially screen the HUD-certified manufactured home from view from the public right-of-way. The living screen shall be maintained in such a manner to reasonably promote the intended screening of the HUD-certified manufactured homes; and

E. Where water pressure is sufficient an irrigation system sufficient to maintain the required landscaping will be provided to encourage the health and growth of the required planting elements on the lot.

F. Where water pressure is insufficient to serve an irrigation system, the Owner and/or occupant of the HUD-certified manufactured home shall ensure that all landscaping is manually watered to maintain proper health and growth. Any landscaping that does not survive during the period in which a HUD-certified manufactured home is located on the lot must be replaced within thirty (30) days of such event. Any replacement landscaping must meet the minimum requirements set forth herein.

G. Regardless of whether a HUD-certified manufactured home remains on the lot, the Canopy tree required herein must not be destroyed. Owner may, however, relocate the tree to a different location within the Property. All other landscaping requirements set forth in this subparagraph (b) (other than the canopy tree requirement which shall expressly survive) shall automatically terminate and be of no further force or effect with respect to any lot on which a HUD-certified manufactured home is located when the HUD-certified manufactured home is removed from such lot.

H. All landscaping shall comply with the visibility standards of the Amended Development Regulations and must be fully installed prior to the occupancy of a HUD-certified manufactured home.

(vi) A HUD-certified manufactured home installed pursuant to this section must be removed from the Property within sixty (60) days from the date on which the last remaining occupant ceases to serve on the board of directors of the applicable District.

2.06 Fees and Charges. Except to the extent otherwise specifically set forth elsewhere herein, development of the Property will be subject to the payment to the Municipality of all fees and charges customarily applicable to the filing with, and review and approval by, the

Municipality of construction plats and final plats and to the review and approval by the Municipality Engineer of engineering plans, as defined in the Amended Subdivision Regulations (collectively, the "Municipality Fees"). The Municipality Fees shall be adopted by ordinance or resolution and shall not exceed the same or similar fees charged to develop property within the Municipality's corporate limits. The Municipality Fees may be amended, from time to time, so long as the changes apply uniformly to the development of property within the Municipality's corporate limits. All District Onsite Infrastructure constructed pursuant to Municipality-accepted engineering plans shall be inspected as required by the rules of the Texas Commission on Environmental Quality ("TCEQ") so that the costs and expenses paid or incurred by Owner in connection with such construction will be reimbursable to Owner from bonds issued by the Districts. The engineer for each District shall perform such inspections and file copies of its reports with the engineers of the Municipality for its review and comment. The engineer for the Municipality shall bill the Municipality on a "time and materials" basis, and such fees and expenses shall be included within "Municipality Fees". The Municipality Fees shall not include any impact fees (or other similar capital recovery fees, charges, or assessments of any kind) payable in connection with the development of the Property unless the Municipality pays for capital improvements or facility expansions that are necessitated by or attributable to the development of the Property, in which case the Municipality may adopt impact fees to recover such costs in accordance with Chapter 395 of the Texas Local Government Code. The Municipality Fees shall be the only fees or charges paid to the Municipality in connection with the development of the Property.

2.07 Director/Supervisor Qualifying Lots. Notwithstanding any other provision of this Agreement to the contrary, the conveyance, from time to time, by metes and bounds or otherwise of any portion of the Property to any person for the purpose of qualifying such person to be a member of the Board of directors/supervisors of the District shall not be considered a subdivision of land requiring a plat or otherwise requiring the approval of the Municipality.

Article III. Voluntary Annexation of the ETJ Tracts.

3.01 Annexation. In contemplation of the approval and execution of this Agreement by the Parties, on a voluntary basis, the Owner has heretofore submitted petitions (the "Annexation Petitions") to the Municipality requesting the annexation of the ETJ Tracts into the corporate boundaries of the Municipality. The Owner acknowledges and agrees that it has submitted the Annexation Petitions to the Municipality on a voluntary basis. The Owner and Municipality acknowledge and agree that as of the Effective Date hereof all of the ETJ Tracts are located within the Municipality's ETJ. Upon the Effective Date hereof the Owner and the Municipality shall proceed with the annexation of the ETJ Tracts into the Municipality's corporate limits. The Parties shall cooperate in good faith with each other in such annexation process, including, but not limited to, the execution by the Owner and the Municipality of such further documents or instruments as may be reasonably requested from time to time by either party to properly effectuate such voluntary annexation.

3.02 Annexation Service Plan. The parties agree that this Agreement shall serve as the service plan (the "Annexation Service Plan") that provides for the extension of full municipal services to the ETJ Tracts meeting the requirements of Section 43.065 of the Local Government Code. The parties further agree that the services and infrastructure to serve the ETJ Tracts to be provided by the Owner are undertaken voluntarily. The parties acknowledge that this Agreement

was negotiated at the public hearings held under 43.065 of the Local Government Code, that this Agreement represents the mutual understanding of the parties with respect to the matters contained herein, and that no provision of any service has been deleted.

The City Council of the Municipality finds and determines that this proposed Service Plan will not provide any fewer services, and it will not provide a lower level of service in the area proposed to be annexed than were in existence in the proposed area at the time immediately preceding the annexation process.

Because of the differing characteristics of topography, land utilization and population density, the service levels which may ultimately be provided in the newly annexed area may differ somewhat from services provided other areas of the Municipality. These differences are specifically dictated because of differing characteristics of the property and the Municipality will undertake to perform consistent with this Agreement so as to provide the newly annexed area with the same type, kind and quality of service presently enjoyed by the citizens of the Municipality who reside in areas of similar topography, land utilization and population.

The City Council of the Municipality hereby finds, declares, and determines that the acquisition and construction of capital improvements necessary for providing municipal services adequate to serve the Property shall be accomplished by purchase, lease or other contract with, or by succeeding to the assets of, the District.

3.03 Disannexation. In the event that Owner is unable to secure an order creating an Original District by December 31, 2006, from either (a) the County Commissioners Court, or (b) the TCEQ, the Municipality understands and acknowledges that the Owner consents to and shall not oppose the disannexation of the Property from the Municipality's corporate limits pursuant to Section 43.144 of the Local Government Code. In addition, the Municipality agrees that it shall adopt the ordinance discontinuing the Property as a part of the Municipality not later than January 15, 2007.

In this regard, the Municipality hereby finds, determines, and declares that each of the parcels that comprise the Property meets all of the characteristics set forth in Section 43.144, Local Government Code. It is the express intent of the Parties that the Property not be included within the Municipality's corporate limits should the creation of the Original District not occur by December 31, 2006.

Upon the disannexation of the Property pursuant to this Section 3.03, this Agreement shall automatically terminate in all respects and all Parties shall be relieved of any and all liability or obligations hereunder.

Article IV. Special District Creation Matters.

4.01 Original District Creation. In contemplation of the annexation of the ETJ Tracts by the Municipality, the Owner intends to submit a Petition for Consent to the Creation of an Original District to the Municipality (the "Consent Petition") to include the Property. Immediately subsequent to the Municipality's adoption of the ordinance annexing the ETJ Tracts, the Municipality shall adopt an ordinance consenting to the creation of an Original District (the "District Consent Ordinance") within its corporate boundaries substantially in the

form attached hereto as ***Exhibit "I"*** to include the Property. The conditions to the Municipality's consent to the creation of an Original District are set forth in such ordinance. The Municipality's consent to the creation of an Original District shall not be withdrawn or modified, and no further action by the City Council of the Municipality shall be required to evidence such consent. Upon demonstrated compliance with Section 4.02 of this Agreement, the Municipality shall cooperate in good faith with Owner in the continued existence of an Original District including, but not limited to, the execution by the Municipality of such further ordinances, resolutions, documents, or instruments as may be requested from time to time by Owner, Collin County Commissioners Court, an Original District, the TCEQ, the Texas Attorney General, or any other governmental agency or political subdivision having jurisdiction over an Original District or any bonds issued by an Original District or any portion thereof. The Municipality's consent to the creation of an Original District, as evidenced by this Agreement and the District Consent Ordinance, is intended to fully satisfy all requirements of the Local Government Code, Texas Water Code, and the TCEQ rules with respect to municipal consent for creation of a water control and improvement district, fresh water supply district or a municipal utility district within the Municipality's corporate limits. An Original District shall have the right to exercise all the rights, powers, and authority granted to it under the Constitution and laws of the State of Texas and of any applicable special legislation and under the rules of the TCEQ. In the event that the Original District is created as a fresh water supply district or a water control and improvement district, such power and authority shall include the powers under Section 53.029 or 51.748, Texas Water Code, as amended, respectively. This Agreement, together with the adoption of the District Consent Ordinance will constitute the irrevocable and unconditional consent of the Municipality to the creation of an Original District and all subsequent Resulting Districts.

4.02 Joinder by Original District. Within 30 days from the date ("District Creation Date") of the order of the Collin County Commissioners Court, or the TCEQ, as the case may be, creating an Original District and appointing its initial temporary board members, such Original District shall adopt and enter into a Joinder Agreement (the "Joinder Agreement"), substantially in the form attached hereto as ***Exhibit "J"***, by which it shall confirm and adopt the terms and provisions hereof. Upon due approval and execution of the Joinder Agreement by the Original District it shall automatically become a "Party" to this Agreement without any further action by the Municipality or Owner. An Original District shall provide a copy of the Joinder Agreement to the Municipality within 10 days from the date of District approval thereof. Similarly within 30 days from the date of the creation of any Resulting District by division election conducted pursuant to Section 53.029 or 51.749, Texas Water Code, each Resulting District shall adopt and enter into a Joinder Agreement, a copy of which shall be provided to the Municipality within 10 days from the date of District approval thereof.

4.03 Original District Dissolution. The Municipality acknowledges and agrees that it shall not dissolve an Original District or any Resulting District until (a) all Infrastructure planned for all phases of development within such District has been completed; and (b) all persons who provided funding on behalf of such District for the acquisition and construction of such Infrastructure have been fully reimbursed for all eligible expenditures therefor from bonds issued by such District or the Municipality has paid in cash to such persons all amounts not previously reimbursed for such eligible expenditures.

4.04 PID Creation. The Owner and Municipality shall cooperate in good faith with each other in the formation of one (1) or more PIDs as part of the plan for providing certain

essential public services, the construction and maintenance of certain amenities for the Project, and, possibly, the construction of certain roads or road improvements within the Property. Accordingly, the Owner agrees to the execution and delivery of such further documents or instruments as may be reasonably necessary to effectuate such plan, including all petitions and supporting data necessary for the establishment of one (1) or more PIDs to include the Property pursuant to Chapter 372, Local Government Code.

Article V. Road Infrastructure Plan.

5.01 General. The parties recognize, acknowledge, and agree that efficient ingress and egress and traffic management are important to the success of the Project and the health, safety and welfare of the current and future residents of the Project and Municipality. With this in mind, the Concept Plan has been formulated to incorporate or otherwise be consistent with the Municipality's Thoroughfare Plan, dated November 6, 2001, as amended by Exhibit "H". The Parties further recognize, acknowledge, and agree that there are certain County roads that will be impacted by the Project; and that they agree to reasonably cooperate to address such impact on a mutually agreeable basis to the extent permitted by law.

5.02 Maintenance of Onsite Roads. As of the Effective Date, the ETJ Tracts contain, or the Municipality will otherwise annex, portions of CR170, CR171, CR206, and CR208 (the "Annexed Roads") as shown by the Concept Plan. Upon the annexation of the ETJ Tracts into the Municipality, by operation of law the ownership and maintenance responsibility relating thereto will be transferred to the Municipality. The Municipality and the Original District have each found and determined that such roads benefit the Property and, therefore, the Municipality and District. The Concept Plan provides for the realignment of CR 170, CR 171, and CR 208 through the Project and, therefore, the Parties agree to reasonably cooperate in such effort. To the extent that an Original District obtains the requisite authority under the Texas Water Code, the Municipality and District shall enter into an Interlocal Agreement pursuant to which the District shall assume maintenance of the Annexed Roads, and provide for construction of mutually agreed upon improvements for the realignment of CR 170, CR 171, and CR 208, and dedication of reasonably required right of way. It is expressly agreed and understood that until such time as the District may be dissolved by the Municipality, it shall be responsible for the cost of maintenance of the Annexed Roads. Each year during the term hereof, the Municipality and District agree to establish a mutually acceptable annual budget for the maintenance of such roads.

5.03 Improvement to Offsite County Roads. The Parties agree to reasonably cooperate with the County to identify improvements that will be needed to certain County roads located outside of the Property but that are determined by the Parties to be necessary and beneficial to the anticipated phased development of the Property. To the extent that an Original District obtains the requisite authority under the Texas Water Code, the District shall enter into an Interlocal Agreement with the County to participate to the extent permitted by law in the acquisition of the Offsite Road Improvements for the benefit of the County in support of the anticipated phased development of the Property on a basis mutually agreeable to the Parties, and assign or convey such improvements to the County.

5.04 Onsite Road Improvements. To the extent that an Original District obtains the requisite authority under the Texas Water Code, the District shall, to the extent reasonably

commercially feasible, acquire all of the public roads to be constructed within the Property pursuant to the Concept Plan, and assign or convey such roads to the Municipality.

5.05 Role of PIDs. In the event that an Original District does not have the requisite authority under the Texas Water Code, to acquire or reimburse a private party for roads or road improvements and maintain same, the Parties agree to formulate a plan whereby a PID or PIDs to be created to include the Property will finance the acquisition, construction, and maintenance of roads and road improvements within the Property.

Article VI. Utility Service Plan.

6.01 General. It is anticipated that development of the Project will occur in phases. It is further anticipated that other areas within the Municipality's corporate boundaries will also develop from time to time. Accordingly, it is understood and agreed that a reliable permanent source of treated water supply and wastewater treatment will be needed by the Municipality so that utility capacities will be available at times and in amounts currently anticipated to be needed to meet the requirements of the Project and other areas of the Municipality as they develop. It is further recognized that as of the Effective Date, the Municipality does not own any water supply distribution facilities or wastewater collection or treatment improvements. However, the Parties have agreed to reasonably cooperate to acquire and construct certain facilities, improvements and permits (including, but not limited to, CCN's) for the Municipality currently anticipated to be necessary for the land within its corporate boundaries.

6.02 Wastewater Service.

(a) Retail Service. (i) The Municipality has applied for the Sewer CCN to provide retail sewer service to the current area within the Municipality and the Property. The Parties agree to reasonably cooperate to secure the Sewer CCN and the Municipality's designation as the exclusive retail sewer service provider for the area within the Municipality and the Property. The Parties also agree to provide for the construction of a wastewater treatment plant ("WWTP") with an initial phase of 300,000 gallons per day ("gpd"), and a final phase of 350,000 gpd. The WWTP is currently proposed to be located approximately 1.6 miles east of the intersection of FM 2478 and FM 170 at the intersection of FM 170 and Honey Creek. The Municipality has applied to the TCEQ for a waste discharge permit ("WWTP Permit"), and for the Sewer CCN.

(ii) Pursuant to an "Agreement by and between City of Weston and Land Advisors, LTD", dated August 10, 2004 (the "Initial Developer Funding Agreement"), as subsequently amended, the Owner has agreed to advance to the Municipality all funds necessary for, among other things, the preparation, filing, processing, and securing the issuance of the applications for the WWTP Permit and Sewer CCN. Upon the creation of the District, the Parties acknowledge and agree that such funding obligation shall be assigned to and assumed by the District. Further, the District shall assume the responsibility for the design and construction of the WWTP on behalf of the Municipality in accordance with the process and procedures set forth in Article VII hereof. Consequently, it is understood and agreed by the Owner and Municipality that within 30 days from the District Creation Date, the Owner and District shall enter into an Operating Cost and Utility and Road Construction/Acquisition Financing Agreement ("Utility Infrastructure Agreement") substantially in the form attached hereto as ***Exhibit "K"***. The Parties acknowledge and agree that the final form of the Utility Infrastructure Agreement will be revised to reflect the

provisions of the Texas Water Code pursuant to which the Original District was formally created, its statutory authority and powers, and the facilities and improvements that it will acquire and convey to the Municipality, and County, if applicable. Pursuant to the Utility Infrastructure Agreement, Owner agrees to fund the costs of water, sanitary sewage, and drainage facilities and roads and road improvements for the Property, and the District agrees to acquire from Owner and reimburse Owner for such facilities and improvements for the benefit of the Municipality including, but not by way of limitation, the costs of securing the WWTP Permit and Sewer CCN, as well as construction of the initial phase of the WWTP, subject to the allocation of wastewater treatment capacity in the WWTP as set out in subparagraph (a)(iii) below.

(iii) The designated sanitary sewer capacity of the WWTP ultimately permitted pursuant to the WWTP Permit shall be allocated as follows:

(A) First, capacity sufficient to serve a maximum of 375 single-family residential lots not within the Property but within the current corporate limits of the Municipality (in order to service both the existing single-family residential homes ["Existing Homes"] and a limited number of additional single-family residential lots to be platted within the portion of the Municipality commonly known as the existing downtown area) shall be allocated to the Municipality; and

(B) Thereafter, all remaining capacity of the WWTP shall be allocated to the Property subject to the terms and conditions of the Utility Infrastructure Agreement.

(C) In the event that any sanitary sewer capacity is needed by any other property owner (other than Owner or its respective successors and assigns) in excess of the 375 sanitary sewer connections allocated to the Municipality pursuant to Section 6.02(a) (iii)(A) above, such other property owner must obtain an amendment to the WWTP Permit (the "Permit Amendment") from TCEQ to permit additional capacity beyond the then existing permitted capacity in order to provide same to such other property owner upon the other property owner's strict compliance with all requirements relating thereto at such other property owner's sole cost and expense.

(b) Future Wholesale Service. In order to serve the ultimate needs of the Project and the Municipality, the Parties recognize and agree that it will be necessary for the Municipality to obtain permanent wastewater treatment service from the NTMWD. It is currently contemplated that the construction of an offsite sewer trunkline and other related improvements will be required. The Owner and Municipality agree to reasonably cooperate to establish the size and alignment of the offsite sanitary sewer trunk line, as well as identify and size any necessary related improvements. The sanitary sewer trunk line shall be sized to accommodate flow not only from the Project, but also from certain areas within the Municipality as mutually agreed. As further part of the process for securing permanent wastewater services from NTMWD, the Municipality's WWTP will be converted to a scalping plant for irrigation purposes, as well as to reduce the required downstream trunk sanitary sewer line sizing. The Parties agree to reasonably cooperate in the securing of a contract with NTMWD to secure wastewater treatment service in amounts and at times currently anticipated to be necessary to meet the needs of the Project and the Municipality, and to finance the necessary offsite sanitary sewer improvements. Additionally, all of the parties will support the acquisition of easements and properties

reasonably necessary to implement the securing of such permanent wastewater services. It is acknowledged and agreed that the Districts shall construct such offsite sanitary sewer improvements and convey them to the Municipality in accordance with Article VII hereof.

6.03 Water Service.

(a) Retail Service. (i) Weston WSC is the holder of a water CCN that includes portions of the area currently located within the Municipality and portions of the Property. Further, Weston WSC currently owns and operates water supply and distribution system (the "WWSC System") that serves a portion of the Municipality. Further, North Collin County Water Service Corporation ("NCCWSC") currently owns and operates a water supply and distribution system (the "NCCWSC System") to service, among other areas, a portion of the Municipality. The Parties desire the Municipality to be the exclusive retail water provider for all of the area within the Municipality, and agree to reasonably cooperate to achieve that end through: the purchase and expansion of the WWSC System; or securing a dual certification agreement under Section 13.248, Texas Water Code, and construction of a separate water supply and distribution system to serve the Property.

(ii) At such time as the Parties have mutually agreed upon a plan and process for the designation of the Municipality as the retail water provider within the area of the Municipality, the Districts shall participate with the Municipality in such effort, including funding such activities on a mutually agreeable basis pursuant to the Utility Infrastructure Agreement and the allocation of water supply capacity to the Property.

(b) Wholesale Service. In order to secure the currently anticipated ultimate needs of the Project, the parties recognize and agree that it will be necessary for the Municipality to obtain both interim and permanent treated water service from the NTMWD by means of participation in the Collin-Grayson Alliance Project or by means of an alternative water supply and transmission agreement. It is currently contemplated that the construction of an offsite water transmission line and other related improvements including a pump station, ground storage tank, and elevated storage tank may be required. The Owner and Municipality agree to reasonably cooperate to establish the size and alignment of the offsite water transmission line, as well as, identify, size, and locate the other functionally related and necessary improvements. The offsite transmission line and related improvements shall be sized to serve not only the Project, but also certain areas within the Municipality as mutually agreed. The Parties agree to reasonably cooperate in the securing of a contract with NTMWD or an alternative source mutually agreeable to the Parties to secure treated water service in amounts and at times currently anticipated to be necessary to meet the needs of the Project, and to finance the necessary offsite transportation lines and related improvements. It is acknowledged and agreed that pursuant to the Utility Infrastructure Agreement, the Districts shall construct such offsite water transmission line and related improvements and convey them to the Municipality subject to the allocation of water supply capacity to the Property.

6.04 Operation, Maintenance, Billing, and Collecting. At such time as the Municipality becomes the retail water and sewer provider for the areas within the Municipality, it is acknowledged and agreed that the Municipality may contract for operation, maintenance, billing, and collecting services.

Article VII. Design, Construction, Financing, Conveyance and Maintenance of Infrastructure.

7.01 Infrastructure. Pursuant to Section 402.014 of the Local Government Code, the Districts shall acquire for the benefit of and convey to the Municipality all water, sanitary sewer, and drainage facilities comprising the Infrastructure to the extent that the Municipality is providing such applicable services. Further, pursuant to Section 257.003, Transportation Code, and Chapters 791 and 1471, Government Code, the Districts shall acquire and convey all Onsite Roads to the Municipality, and all Offsite Road Improvements to the County. The Districts will acquire the Infrastructure pursuant to the Utility Infrastructure Agreement with the Owner.

7.02 Plans and Specifications.

(a) All Infrastructure shall be designed in accordance with sound engineering principles, and the applicable standards and specifications of the TCEQ, Municipality (but only as of the date hereof), and any other agency having jurisdiction. The final plans, specifications, and the District's engineer's opinion of probable costs for the components of the Onsite Infrastructure, shall be submitted to and approved by all Parties (with such approval not to be unreasonably withheld, conditioned or delayed) prior to advertising for bids for the construction thereof. The Parties agree that the Municipality's engineer ("Municipality's Engineer") shall design all Offsite Infrastructure. As of the date hereof, James Engineering, LLC is the Municipality's Engineer. However, the Owner's engineer ("Owner's Engineer") shall have the right to review and comment upon such design. The Owner's Engineer shall be mutually acceptable to all Parties.

(b) No change in the final plans and specifications for the Infrastructure shall be effected or permitted except pursuant to written change order approved by all Parties (with such approval not to be unreasonably withheld, conditioned or delayed). Such change orders shall clearly state changes to be made and the increase or decrease in construction costs effected thereby. No substantial change shall be made without the prior consent of the TCEQ, if required by the then applicable Rules of the TCEQ. It is understood and agreed that any change orders are subject to the Rules of the TCEQ.

7.03 Contract Documents and Bonds; Sales Tax Exemption. Along with the plans and specifications, the District shall submit to Owner and Municipality for approval (with such approval not to be unreasonably withheld, conditioned or delayed) the form of contract proposed to be used for all construction services to be performed by one or more contractors for or on behalf of the District. Further, the District shall submit to Owner and Municipality for approval (with such approval not to be unreasonably withheld, conditioned or delayed) the form of the bid documents to be used for the construction of the Infrastructure. Such documents shall state that the Owner is the "Owner", and the bid and construction contract documents shall be in a form such that they constitute a "separated contract" pursuant to the laws of the State of Texas and the rules of the Comptroller of Public Accounts of the State of Texas in order that all tangible personal property required to be purchased and incorporated into the Infrastructure will be exempt from state sales and use tax. In that regard, the District shall assist Owner in obtaining a resale certificate and shall require all contractors and subcontractors to obtain a Texas Limited Sales, Excise and Use Tax Permit prior to execution of a construction contract for the

Infrastructure. The District will issue an exemption certificate or other appropriate document when and as necessary to assure exemption from such sales and use tax.

The District shall further require all contractors to provide performance and payment bonds comporting with the requirements of Section 53.201, et seq., Texas Property Code, as amended, naming the District as the secured party in order to assure completion and payment. The District shall also require all contractors to comply with any prevailing wage rate scale heretofore or hereafter adopted by the District and Municipality pursuant to Chapter 2258, Texas Government Code, as amended, and such requirement and any such prevailing wage rate scale shall be included in the construction contract documents.

The District shall file all construction plans and specifications, contract documents and supporting engineering data with respect to the applicable components of the Infrastructure with the TCEQ as and if required by the Rules of the TCEQ. The District also shall record all construction contracts and applicable payment and performance bonds in the real property records of Collin County, as and if required pursuant to the provisions of Chapter 53, Texas Property Code, as amended.

7.04 Advertisement for Bids. Subject to receipt of District's and Municipality's written approval of the final plans and specifications and form of bid and construction contract documents, the Owner shall advertise for bids and let construction contracts in accordance with Subchapter I of Chapter 49, Texas Water Code, as amended, and the Rules of the TCEQ, as applicable. Upon receipt of bids, the Owner shall submit same to the District and Municipality together with a tabulation of the bids for review and approval prior to award of bid. After agreement is reached between the District, Owner, and Municipality as to the award of the bid, the Owner shall submit the construction contract to the District and Municipality for review and approval. Each Party agrees to issue its approval or reasons for disapproval of a contract with reasonable specificity within 15 days from receipt of the contract or its approval shall automatically be deemed to have been given for all purposes hereunder. Each Party also agrees that its approval shall not be unreasonably withheld, conditioned or delayed.

7.05 Construction. The Owner shall manage all construction so that it shall be performed in a good and workmanlike manner and in accordance with the applicable Rules of the TCEQ. All Infrastructure shall be constructed in dedicated public rights-of-way, utility easements or sites, or in easements or lands specifically conveyed to the District. The Owner shall provide such inspection of the Infrastructure during construction as is reasonably deemed necessary by the Municipality's Engineer. Any change order to a contract for the construction of Infrastructure or component thereof shall be subject to approval by the District, Owner, and Municipality (which approval shall not be unreasonably withheld, conditioned or delayed) and shall be filed with, and approved by, the TCEQ as and if required by the Rules of the TCEQ. Any such change orders are subject to the Rules of the TCEQ.

Upon completion of the construction of the Infrastructure, "as-built" drawings of the Infrastructure on "mylars" shall be provided to the Owner, District and Municipality by the engineer who designed the applicable portion of such Infrastructure. The Municipality's Engineer shall provide a certificate of substantial completion to the effect that the construction has been completed in accordance with the plans and specifications as approved by the District

and the Municipality and has been approved by all required regulatory agencies having jurisdiction, which certificate shall be addressed to both Municipality and the District.

7.06 Conveyance of Infrastructure. Upon final acceptance of construction of each phase of Infrastructure as provided in Section 7.05 above, ownership in such phase, as well as all maintenance bonds and easements and rights-of-way relating thereto, shall be conveyed by the Owner to the District, and thereafter by District to Municipality by an appropriate legal instrument in a form reasonably acceptable to the respective attorneys for both the Municipality and the District. Such conveyance shall be in consideration for the other promises, covenants, and agreements of the Municipality set forth herein including particularly, but not by way of limitation, the Municipality's agreement to assume the responsibility for the operation and maintenance of the Infrastructure subject to Section 7.08 and to make payments pursuant to Article IX hereof. Notwithstanding the foregoing, upon final acceptance of a phase of the Offsite Road Improvements, ownership of such phase, as well as all maintenance bonds and easements and rights-of-way, shall be conveyed by the Owner to the District, and thereafter by District to the County at no cost to the County.

7.07 Funding Responsibility. Subject to its right to reimbursement pursuant to the Utility Infrastructure Agreement, the Owner shall be responsible for the full and timely payment of all costs associated with the design and construction of the Infrastructure to the maximum amount permitted by law. In the event that any component of the Infrastructure (other than roads or road improvements) is designed to serve areas outside of the Property, but within the Municipality, the Municipality agrees that it will be responsible for such costs as hereinafter provided in Article IX hereof. Provided, that Owner shall be responsible for all such costs relating to the Existing Lots subject to reimbursement pursuant to Article IX hereof.

7.08 Maintenance. For a period of two (2) years from the date of acceptance of a phase of Onsite Utility Facilities or Offsite Utility Facilities by the Municipality, the District shall remain obligated to and responsible for the maintenance thereof. Thereafter, such maintenance obligation and the costs associated therewith shall be the sole responsibility of the Municipality. For a period of four (4) years from the date of acceptance of the Onsite Roads by the Municipality, the District shall remain obligated to and responsible for the maintenance thereof. Thereafter, such maintenance obligation and costs associated therewith shall be the sole responsibility of the Municipality.

7.09 District Records. The District shall keep accurate records itemizing all construction costs relative to the Infrastructure. Municipality shall have the right to examine such records at reasonable times and intervals.

Article VIII. Public Service Plan.

8.01 General. The Parties recognize, acknowledge, and agree that certain essential public services, including police protection, fire protection, emergency services, and solid waste management are important to the success of the Project, and the health, safety, and welfare of the current and future residents of the Project and Municipality. The Parties also recognize that the Municipality currently levies and collects ad valorem taxes to fund certain of these services. With this in mind, and subject to the limitations imposed by law, the Parties have agreed to

formulate a plan for the provision of these essential public services and the equitable funding of the costs thereof.

8.02 Fire Protection and Emergency Services. The Parties acknowledge and agree that, initially, the District and the PIDs shall assume primary responsibility for the provision of fire-fighting services within the Project. The Parties agree to proceed with the formulation of a plan for the provision of fire-fighting services within the District pursuant to which it and the PIDs may contract with the Municipality or other third party to perform such services. The Parties agree to employ a mutually acceptable consultant to assist in the development of such plan. The fire-fighting services plan must provide for a level of services that is not less than those available in other parts of the Municipality with land uses and population densities similar to those reasonably projected for the Project. Such plan will be formulated in cooperation with the District, PIDs and Municipality and, if necessary, submitted to the TCEQ and District voters for approval in accordance with Section 49.351, Texas Water Code. The fire-fighting plan shall identify all sources of funding including the assessment of mandatory PID fees, District ad valorem taxes and Municipality ad valorem taxes payable by the residents and property owners within the Property. To the extent that District bonds are authorized and sold to finance the fire-fighting service plan, the District shall be authorized to levy to pay the principal and interest on such bonds. The term "fire-fighting services" shall have the meaning set forth in section 49.351, Texas Water Code, including medical emergency services. The fire-fighting services plan shall be finalized and all regulatory approvals obtained by no later than 30 days from the date of approval by the Municipality of the final plat of the initial phase of the Project. Thereafter, to the extent required, such plan shall be submitted to the qualified voters of the District at the next following permitted election date.

8.03 Police Protection. The Parties acknowledge and agree that, initially, the District and the PID shall assume primary responsibility for the provision of police and crime prevention and control services within the Project. The Parties agree to proceed with the formulation of a plan for the provision of police and crime prevention and control services within the District that will provide a mutually acceptable level of services that will not be less than those currently available in the other parts of the Municipality with land uses and population densities similar to those contemplated by the Concept Plan. The Parties agree to employ a mutually acceptable consultant to assist in the development of such plan. The police service plan shall be implemented no later than the date that 150 houses have been completed and occupied within the Project. The service plan will identify all sources of funding including: (a) legally available revenues of the District permitted under Section 49.216, Texas Water Code; (b) assessments of the PID; and (c) revenues of the Municipality generated by the collection of fines from within the District and Municipality ad valorem taxes.

8.04 Solid Waste Collection. The District shall enter into an interlocal agreement with the Municipality pursuant to which the District shall agree to contract with the same contractor as used by the Municipality for solid waste collection services, unless a less expensive source of service is available. In such event, the District and Municipality shall agree to promptly prepare and solicit proposals for such services. Finally, the District agrees to contract with the Municipality for the billing and collection for such services.

Article IX. Monetary Consideration

9.01 General; Finding of Benefit and Adequacy of Consideration. The Parties acknowledge and agree that District will provide for the acquisition and construction of the Infrastructure that serves and benefits the Property and other areas within the Municipality and convey ownership of portions of same to the Municipality. The Municipality hereby finds and acknowledges that the financial commitments of the Owner and District herein and under the Utility Infrastructure Agreement benefit the Municipality generally, as well as the land within the District's boundaries, promote continuing and orderly economic development within the Municipality, and allow the Municipality to secure a superior long term source of water supply and waste treatment service and/or facilities and a superior roadway system without the Municipality being obligated to expend its own funds or issue its own bonds for such purpose. The Municipality further recognizes and hereby finds and acknowledges that prior to the issuance of bonds by the District to acquire components of the Infrastructure for the benefit of the Municipality, and the actual conveyance of such components to it, the Municipality will benefit from the financial commitments of the Owner and District. The Municipality will secure the WWTP Permit and Sewer CCN, as well as the design of components of the Infrastructure. Consequently, planning for future development within the Municipality may commence; negotiations for wholesale water supply and wastewater treatment providers may be concluded; and increase in its ad valorem tax base will occur. Accordingly, the Municipality agrees to make certain payments to the District in consideration thereof as set forth within this Article IX.

9.02 Connection Fees**.** The Municipality agrees to use all reasonable efforts to recover from future users located outside of the District the District's costs, including engineering and construction, of the oversizing of the water and sanitary sewer components of the Infrastructure necessary to serve the areas outside of the District. In this regard, for each lot not located within the District proposed to be served by such oversizing funded by the District, other than the Existing Lots, the Municipality agrees to establish and collect a fee in an amount that approximates the cost to the District for providing the oversizing. Such per lot cost shall be established based upon an engineering study approved by the District, Owner, and Municipality confirming such costs, with such approval not to be unreasonably withheld. The Municipality agrees to collect such fee for each lot platted outside of the District as a condition to the approval of a final plat containing such lot. All fees collected by the Municipality shall be paid to the District within 60 days from date of receipt thereof by the Municipality. The connection fees shall be used solely to reimburse the amounts due to the Owner for funds advanced to or on behalf of the District in connection with the Infrastructure, either by direct payment to Owner or by deposit into the District's bond debt service to amortize bonds issued or to be issued for such reimbursement, as may be determined in the sole discretion of the District.

Notwithstanding anything to the contrary contained or implied elsewhere herein, no portion of the Property or any lot or parcel now or hereafter platted thereon shall be required to pay any utility connection or "hook-up" fees, subsequent user or connection fees, charges or taxes now or hereafter assessed by the Municipality relating to the Infrastructure.

9.03 Franchise Fees. The Parties agree to develop and implement a plan for the establishment, assessment, and collection of franchise fees in accordance with applicable law including, but not by way of limitation, Section 181.901, Utilities Code, for the location of

facilities of gas, telephone, light, power, and certain other service providers within the streets and public grounds of the Municipality, including the area within the District. The Municipality's franchise fee plan shall provide that Municipality shall collect such franchise fees and allocate and pay to the District 80% of any franchise fees collected within the District within 60 days following receipt thereof by Municipality. The franchise fees shall be applied as follows: first, to meet the District's administrative needs; second, to meet the District's Infrastructure maintenance responsibilities; and third, to reimburse the amounts due to the Owner for funds advanced to or on behalf of the District in connection with the Infrastructure, either by direct payment to Owner or by deposit into the District's bond debt service fund to amortize bonds issued or to be issued for such reimbursement, as may be determined in the sole discretion of the District.

9.04 Incidental Income. In the event that the Municipality should ever realize any incidental income from the Infrastructure or any portion thereof which are unrelated to the primary function and services originally intended to be provided by such facilities or applicable portion thereof (such as, by way of example and not limitation, any income received by the Municipality for a lease or license of a portion of a water tower for cellular and/or satellite relay or transmission facilities or for signage) other than regulatory permit fees or other similar fees collected by the Municipality in the performance of a governmental function as opposed to a proprietary function, the Municipality shall allocate and pay to the District eighty percent (80%) of any such incidental income collected within sixty (60) days following receipt thereof by the Municipality. The portion of incidental income paid to the District by the Municipality shall be applied as follows: first, to meet the District's administrative needs; second, to meet the District's Infrastructure maintenance responsibilities; and third, to reimburse the amounts due to the Owner for funds advanced to or on behalf of the District in connection with the Infrastructure, either by direct payment to Owner or by deposit into the District's bond debt service fund to amortize bonds issued or to be issued for such reimbursement, as may be determined in the sole discretion of the District.

9.05 Ad Valorem Taxes. In consideration of the District's agreeing to acquire and construct, for the benefit of the Municipality, the water, sanitary sewer, and drainage components of the Infrastructure necessary to provide service for the area within the District, which is also within the Municipality, the Municipality agrees to pay to the District an annual amount (the "Annual Tax Payment") equal to 100% of the amount of ad valorem taxes collected by the Municipality on all taxable real property or interest therein (including mineral interests) located within the boundaries of the District, as they may be expanded from time to time, after deducting: (a) an amount (the "Base Tax Amount") calculated by multiplying the Municipality's then current ad valorem tax rate by the total taxable real property or interest therein (including mineral interests) as of January 1 of the year following the District Creation Date; (b) an amount equaling the amount of the Municipality's ad valorem taxes, if any, budgeted to be paid by the Municipality for essential public services pursuant to Sections 8.02 and 8.03 hereof (collectively, "Annual Administrative Expense"); and (c) that portion of the Municipality's costs of ad valorem tax collection solely relating specifically to the Annual Tax Payment. All such funds paid by the Municipality to the District shall be maintained and deposited into an interest and sinking fund account of the District and shall be expended solely for the purpose of paying interest and paying or prepaying principal on the District's bonded indebtedness relating to the water, sanitary sewer, and drainage components of the Infrastructure. The Municipality's payment obligation to the District shall begin in the year following the year in which the District

was created. Any party hereto shall have the right to request a review and analysis of the operation of this section and particularly the formula set forth herein for arriving at the amount of the Municipality's payment. If such a review is requested the parties agree to review and analyze this section and in good faith negotiate any changes thereto which the review and analysis reveals would be fair.

9.06 Termination of the Municipality's Obligation to Pay. The Municipality's obligation to pay pursuant to Section 9.05 hereof shall terminate after the District's bonds are fully discharged.

9.07 Supplemental Tax By District. The parties to this Agreement recognize that the payment by the Municipality pursuant to Section 9.05 hereof is not likely to be sufficient to enable the District to pay the principal and interest on its bonds and establish and maintain the interest and sinking (debt service) fund and any reserve fund required by the District's order authorizing the issuance of its bonds and that it will be necessary for the District to levy a supplemental ad valorem tax for such purposes.

9.08 Municipality Tax Levy. Municipality will use its best efforts to establish its annual tax levy in a timely manner so that the District may have an opportunity to consider Municipality's tax levy as a factor in establishing the District's annual tax levy. The Municipality shall use its best efforts to collect such taxes as they become due. The payment required by Section 9.05 hereof shall be made on March 1 and September 1 of the year following the year the Municipality's taxes were levied. Along with each semi-annual payment, the Municipality shall provide a report that indicates the total tax levy for each year, along with the status of collection of current taxes and delinquent taxes, including all penalties and interest. It is the intent of the Parties that each payment made by the Municipality shall include taxes for the current and all prior years' delinquent taxes as same may be collected from time to time.

Within 45 days from the District Creation Date, the Municipality shall adopt an Ordinance levying an ad valorem tax in support of this Agreement substantially in the form as attached hereto as ***Exhibit "L"***.

9.09 District Maintenance Tax. The District may levy a maintenance tax as provided by Chapter 49, Texas Water Code, and the Texas Property Tax Code, in addition to its tax levies for debt service on the District's bonds.

9.10 Limits of Municipality's Liability. Unless the Municipality dissolves the District and assumes the assets and liabilities of the District, the bonds or any other obligations of the District shall never become an obligation of the Municipality. The Municipality's obligations under this Agreement shall be limited to the amount required to be paid by the Municipality pursuant to Sections 9.02, 9.03, 9.04, and 9.05 herein.

9.11 Municipal Records. The Municipality shall keep accurate records relative to the collection of all fees, incidental income, and ad valorem taxes to be paid to the District pursuant to this Article IX. District and Owner shall have the right to examine such records at reasonable times and intervals.

Article X. Additional Provisions.

10.01 Recitals. The recitals contained in this Agreement are true and correct as of the Effective Date and form the basis upon which the Parties negotiated and entered into this Agreement.

10.02 Vested Rights. Notwithstanding anything to the contrary contained or implied elsewhere herein, this Agreement shall constitute a "permit" as defined in Chapter 245, Local Government Code that is deemed filed with the Municipality on the Effective Date. The expiration or earlier termination of this Agreement shall not affect any rights resulting from Chapter 245, Local Government Code.

10.03 Assignment by the Municipality. The Municipality shall have the right to assign its rights and obligations under this Agreement to any political subdivision or governmental entity of the State of Texas ("Municipality Assignee") without the consent of Owner provided: (a) the Municipality remains a Party to this Agreement at all times; (b) the assignment is in writing executed by the Municipality and its assignee; (c) the assignment incorporates this Agreement by reference and binds the Municipality's assignee to perform (to the extent of the obligations assigned) in accordance with this Agreement; and (d) a copy of the executed assignment is provided to all the Parties. From and after the effective date of any assignment by the Municipality, Owner agrees to look solely to the Municipality's assignee for performance of the obligations assigned, and the Municipality shall be released from such performance. No assignment by the Municipality shall release the Municipality from any liability to Owner that arose from an event of default by the Municipality (or from any failure by the Municipality which, if not cured, would constitute an event of default) that occurred prior to the effective date of the assignment. The Municipality's assignee shall become a Party to this Agreement when a copy of the executed assignment has been provided to all the Parties.

10.04 Assignment by Owner. Owner shall have the right to assign this Agreement or any part of this Agreement or any right, title or interest of Owner under this Agreement to any person or entity ("Owner Assignee") without the consent of the Municipality provided: (a) the assignment is in writing executed by Owner and its assignee; (b) the assignment incorporates this Agreement by reference and binds the Owner Assignee to perform (to the extent of the obligations assigned) in accordance with this Agreement; and (c) a copy of the executed assignment is provided to all the Parties. From and after the effective date of any assignment by Owner, the Municipality agrees to look solely to the Assignee for performance of the obligations assigned, and Owner shall be released from such performance. No assignment by Owner shall release Owner from any liability to the Municipality that arose from an event of default by Owner (or from any failure by Owner which, if not cured, would constitute an event of default) that occurred prior to the effective date of the assignment. Each Owner Assignee shall become a Party to this Agreement when a copy of the executed assignment has been provided to all the Parties.

10.05 Assignment by Original District. Original District shall have the right to assign this Agreement or an interest hereunder to any Resulting District with respect to the portion of the Property located within such Resulting District and obligations relating thereto without the consent of the Municipality or Owner provided: (a) the assignment is in writing executed by

Original District and its assignee; (b) the assignment incorporates this Agreement by reference and binds the Resulting District to perform (to the extent of the obligations assigned) in accordance with this Agreement; and (c) a copy of the executed assignment is provided to all the Parties. From and after the effective date of any assignment by Original District, the Municipality and Owner agree to look solely to the Resulting District for performance of the obligations assigned, and Original District shall be released from such performance. No assignment by Original District shall release Original District from any liability to the Municipality that arose from an event of default by Original District (or from any failure by Original District which, if not cured, with or without notice or any lapse of time, would constitute an event of default) that occurred prior to the effective date of the assignment. A Resulting District shall become a Party to this Agreement when a copy of the executed assignment has been provided to all the Parties.

10.06 Encumbrance by the Municipality. The Municipality is prohibited from pledging, granting a lien in, granting a security interest in, or otherwise encumbering in any way any right, title or interest of the Municipality under this Agreement that would impair its ability to make the payments contemplated by Article IX of this Agreement without the prior written consent of Owner. Any attempted pledge, grant of security interest or lien, or encumbrance by the Municipality in violation of this section shall be null and void and shall constitute an immediate event of default by the Municipality without notice or opportunity to cure.

10.07 Encumbrance by Owner. Owner shall have the right to pledge, grant a lien or security interest in, or otherwise encumber any right, title or interest of Owner under this Agreement for the benefit of any lender (a "Lender") without the consent of, but with notice to, the Municipality. The pledge, grant of lien or security interest, or encumbrance by Owner for the benefit of a Lender shall not obligate the Lender to perform any obligations under this Agreement and shall not create any liability of the Lender to the Municipality. If there is an event of default by Owner under this Agreement, any Lender shall have the right, but not the obligation, to cure such event of default, which cure shall not obligate the Lender to perform any other obligations under this Agreement and shall not create any other liability of the Lender to the Municipality. A Lender is not a Party to this Agreement unless this Agreement is amended to designate the Lender as a Party.

10.08 Authority. The Municipality represents and warrants that this Agreement has been approved and duly adopted by the City Council of the Municipality in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Agreement on behalf of the Municipality has been authorized to do so. Owner represents and warrants that this Agreement has been approved by appropriate action of Owner and that the individual executing this Agreement on behalf of Owner has been authorized to do so.

10.09 Recordation. Pursuant to the requirements of Section 212.172(f), Local Government Code, this Agreement shall be recorded in the deed records of Collin County, Texas. This Agreement shall be binding upon: (a) the Parties; (b) Assignees; (c) Lenders; (d) the Property; and (e) future owners of all or any portion of the Property ("Successors"). Notwithstanding the foregoing, however, this Agreement shall not be binding upon, and shall not constitute any encumbrance to title as to, any end-buyer of a fully developed and improved lot within the Property except for land use and development regulations that apply to specific lots.

For purposes of this Agreement: (A) the term "end-buyer" means any owner, tenant, user, or occupant; (B) the term "fully developed and improved lot" means any lot, regardless of the use, for which a final plat has been approved by the Municipality; and (C) the term "land use and development regulations that apply to specific lots" mean the Governing Regulations applied in accordance with this Agreement. A Successor is not a Party to this Agreement unless this Agreement is amended to designate the Successor as a Party.

10.10 No Third Party Beneficiaries. This Agreement only inures to the benefit of, and may only be enforced by, the Parties and their permitted assignees. Except for any permitted assignee, no other person or entity shall have any right, title, or interest under this Agreement or otherwise be deemed to be a third-party beneficiary of this Agreement.

10.11 Entire Agreement; Amendment; Severability. This Agreement, including all of the agreements, petitions, ordinances, orders, and other documents attached as exhibits hereto, constitutes the entire agreement between the Parties and supersedes all prior agreements and understandings, whether oral or written, concerning the subject matter of this Agreement. Except as provided in Section 4.02, this Agreement shall not be modified or amended except in writing signed by the Parties. If any provision of this Agreement is determined by a court to be unenforceable, the unenforceable provision shall be deleted from this Agreement, the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the Parties, and the remainder of this Agreement shall remain in full force and effect and shall be interpreted to give effect to the intent of the Parties.

10.12 Events of Default. Except for the immediate events of default described by this Agreement, no Party shall be in default under this Agreement until: (a) written notice of the alleged failure to perform has been given, which notice shall describe in reasonable detail both the nature of the alleged failure and the action required to cure; and (b) the recipient of the notice has failed to cure such default (a) within ten (10) days in the event of a monetary default, or (b) within thirty (30) days in the event of a non-monetary default; provided, however, in the event that such non-monetary default is not reasonably capable of being cured within said thirty (30) day period but the recipient of the notice commences action within such thirty (30) day period which is reasonably calculated and anticipated to effectuate such cure and thereafter continues with reasonable diligence to prosecute the curing of such default, for so long thereafter as the recipient of such notice continues to diligently prosecute such action to completion. A default by a Party shall only apply to the defaulting Party; and no default by one Party shall constitute a default by any other Party (i.e., there are no cross defaults as among the Parties). In addition, a default by a Party with respect to a particular tract of land within the Property shall only apply to the defaulting Party with respect to the particular tract; and no default with respect to a particular tract shall constitute a default with respect to any other land within the Property regardless of ownership (i.e., there are no cross defaults among different tracts of land within the Property).

10.13 Remedies for Default. If a Party is in default under this Agreement, the non-defaulting Party, as its sole and exclusive remedies, shall be entitled to injunctive relief, mandamus relief, and/or specific performance. A non-defaulting Party shall not have the right to terminate this Agreement as a remedy for default or to suspend or be relieved of the non-defaulting Party's continuous performance of its obligations hereunder. No default under this Agreement in whole or in part shall affect, in any way the obligations of the Parties, including

but not limited to: (a) the obligations, if any, of the Municipality to provide services to developed portions of the Property or portions of the Property then under development; (b) the validity or effectiveness of any consent given by the Municipality in this Agreement or the District Consent Ordinance to the creation of the Original District; (c) the continued existence of the Districts within the Municipality; (d) the performance by the Districts of any of their functions including, but not limited to, the issuance of their bonds; or (e) the terms and provisions of Section 10.02 above.

Notwithstanding the foregoing, the Municipality shall have a continuing right to pursue criminal violations of City ordinances in the designated municipal court for the Municipality.

Further notwithstanding the foregoing, neither the failure of the City to annex the Property by December 31, 2006, pursuant to Section 1.03(a) hereof nor the inability of the Owner to secure the creation of an Original District by such date pursuant to Section 3.03 hereof shall constitute an event of default hereunder; but each shall nevertheless result in the automatic termination of this Agreement unless otherwise agreed by the Parties. In the event of the termination of this Agreement pursuant to either Section 1.03(a) or Section 3.03 hereof, the Municipality shall have no liability to Owner for any sums advanced to or on behalf of the Municipality under the Initial Developer Funding Agreement.

10.14 Notices. Any notice or other communication required by this Agreement to be given, provided, or delivered to a Party shall be in writing addressed to the Parties as set forth below. Notices shall be considered "given" for purposes of this Agreement: (a) if by Certified Mail, five business days after deposited with the U.S. Postal Service, Certified Mail, Return Receipt Requested; (b) if by private delivery service (e.g., FedEx or UPS), on the date delivered to the notice address as evidenced by a receipt signed by any person at the notice address; or (c) if by any other means (including, but not limited to, FAX and E-mail), when actually received by the Party at the notice address.

MUNICIPALITY:

Attn: Mayor
City of Weston
P.O. Box 248
Weston, Texas 75097
TEL: (972) 382-1001
FAX: (972) 382-8409

With a copy to:

Attn: Mr. Bryn Meredith
Taylor, Olson, Adkins, Sralla & Elam
6000 Western Place, Suite 200
I-30 at Bryant-Irvin Road
Fort Worth, Texas 76107
TEL: (817) 332-2580
FAX: (817) 332-4340

OWNER:

Attn: Mr. Dan Tomlin, III, President
Land Advisors, Ltd.
4265 Kellway Circle
Addison, Texas 75001
TEL: (972) 239-0707
FAXL (972) 788-4247

With a copy to:

Attn: Mr. Mark V. Murray
2200 One Galleria Tower
13355 Noel Rd. L.B. 48
Dallas, Texas 75240-6657
TEL: (972) 419-7109
FAX: (972) 419-8329

Each Party has the right to change, from time to time, its notice addresses by giving at least 10 days written notice to the other Parties. If any time period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the period shall be extended to the first business day following such Saturday, Sunday or legal holiday.

10.15 Time. Time is of the essence in the performance by the Parties of their respective obligations under this Agreement.

10.16 Applicable Law and Exclusive Venue. This Agreement shall be interpreted in accordance with the laws of the State of Texas. Exclusive Venue shall be in Collin County, Texas.

10.17 Non-Waiver. If a Party fails to insist on strict performance of any provision of this Agreement, such failure shall not be deemed a waiver by such Party of its right to insist on strict performance of such provision in the future or strict performance of any other provision of this Agreement.

10.18 Further Documents. Each Party shall, upon request of the other Party, execute and deliver such further documents and perform such further acts as may reasonably be requested to effectuate the terms of this Agreement and achieve the intent of the Parties.

10.19 Force Majeure. In the event a Party is unable, due to force majeure, to perform its obligations under this Agreement, then the obligations affected by the force majeure shall be temporarily suspended. Within fifteen (15) business days after the occurrence of a force majeure, the Party claiming the right to temporarily suspend its performance based on the force majeure, shall give written notice to all the Parties, including a complete and detailed explanation of the force majeure and a description of the action that will be taken to remedy the force majeure and resume full performance at the earliest possible time. The term "force majeure" shall include events or circumstances that are not within the reasonable control of the Party

whose performance is suspended and that could not have been avoided by such Party with the good faith exercise of due diligence and reasonable care.

10.20 Governmental Powers: Waivers of Immunity. By its execution of this Agreement, the Municipality does not waive or surrender any of its governmental powers, immunities, or rights except as follows:

(a) The Municipality waives its governmental immunity from suit and immunity from liability as to any action brought by a Party to pursue the remedies available under this Agreement, but only to the extent necessary to pursue such remedies. Nothing in this section shall waive any claims, defenses or immunities that the Municipality has with respect to suits against the Municipality by persons or entities other than a Party to this Agreement.

(b) Nothing in this Agreement is intended to delegate or impair the performance by the Municipality of its governmental functions, and the Municipality waives any claim or defense that any provision of this Agreement is unenforceable on the grounds that it constitutes an impermissible delegation or impairment of the Municipality's performance of its governmental functions.

10.21 Exhibits. The exhibits attached to this Agreement are incorporated as part of this Agreement for all purposes as if set forth in full in the body of this Agreement.

ATTEST:

City Secretary

CITY OF WESTON

By: Patti Harrington
Mayor

APPROVED AS TO FORM AND LEGALITY

City Attorney

HONEY CREEK PARTNERS, L.P.,
a Texas limited partnership

By:
Name: Jon Bayless
Title: General Partner

WESTON LAND LTD.,
a Texas limited partnership

By: Land Advisors Ltd.
a Texas limited partnership
Its General Partner

By: Land Advisors Management, L.L.C.
a Texas limited liability company
Its sole General Partner

By: _____
D. O. Tomlin, III
President

STATE OF TEXAS §
§
COUNTY OF COLLIN §

This instrument was acknowledged before me on January 14th 2006, by Pati Yarrington, Mayor for City of Weston, a municipal corporation, on behalf of said municipal corporation.

SUSAN M. COFFER
Notary Public, State of Texas
My Commission Expires
February 25, 2009

_____
Notary Public in and for T E X A S

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on January 6th 2006, by Jon Bayless, General Partner for Honey Creek Partners, L.P., a Texas limited partnership, on behalf of said partnership.

VANGIE UMUNDUM
MY COMMISSION EXPIRES
September 15, 2009

_____
Notary Public in and for T E X A S

STATE OF TEXAS §
§
COUNTY OF Dallas §

This instrument was acknowledged before me on January 6th, 2006, ~~2005~~, by D. O. Tomlin, III, President of Land Advisors Management, L.L.C., a Texas limited liability company, as Sole General Partner of Land Advisors, Ltd., a Texas limited partnership, as General Partner of Weston Land Ltd., a Texas limited partnership, on behalf of said partnership.

Vangie Umundum
Notary Public in and for T E X A S