

EXHIBIT "K"

**OPERATING COSTS AND UTILITY AND ROAD INFRASTRUCTURE
CONSTRUCTION/ACQUISITION FINANCING AGREEMENT**

THE STATE OF TEXAS:

COUNTY OF COLLIN:

This Operating Costs and Utility and Road Infrastructure Construction/Acquisition Financing Agreement (this "Agreement") is made and entered into effective as of the _____ day of _____, 200__, by and between Honey Creek Partners L.P., a Texas limited partnership and Weston Land Ltd., a Texas limited partnership (collectively, the "Developer"), and **Collin County Fresh Water Supply District No. __** (the "District"), a political subdivision of the State of Texas, operating under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49, and 53, Texas Water Code, as amended.

RECITALS:

1. The District is a fresh water supply district created pursuant to Article XVI, Section 59 of the Texas Constitution, and operates pursuant to Chapter 49 and 53, Texas Water Code.

2. The current boundaries of the District include approximately 1,611.83 acres of land situated wholly in Collin County, Texas, and such land is more particularly described on **Exhibit A** attached hereto and made a part hereof for all purposes (herein called the "Property"). All of the Property is located wholly within the corporate limits of the City of Weston, Texas (the "City").

3. The City, Developer, and District have heretofore entered into that Development Agreement, dated effective as of December 13, 2005, and this Agreement is being entered into pursuant thereto. Pursuant to the Development Agreement, the District and Developer have agreed to acquire and construct, for the benefit of the City, certain water supply, sanitary sewer, and drainage facilities which will be conveyed to and owned by the City. Further pursuant to the Development Agreement, the District and Developer have agreed to acquire and construct, for the benefit of the public, and assign to the City and Collin County (the "County") certain roads and road improvements.

4. The District has heretofore requested the Developer to advance funds for and construct certain roads, road improvements, and utility facilities for the benefit of the District so that the District may fulfill its purpose and meet its obligations under the Development Agreement.

5. This Agreement is being executed by the District and Developer to set forth the terms and conditions under which Developer may (but shall not be obligated to) advance funds to construct the road, road improvements, and utility facilities, to serve and benefit the Property, and the terms under which the District will acquire, purchase, and maintain such roads, road improvements, and utility facilities, and the terms and conditions under which all of such costs expended by Developer shall be reimbursed by the District to the fullest extent allowed by law.

6. Developer owns the Property and desires to develop the Property as a master planned residential and commercial development; and Developer may, subject to certain covenants and agreements of the District, advance and continue to advance funds to or on behalf of the District for the purposes of organizing and operating the District and constructing certain roads, road improvements, and utility facilities including, without limitation, water, sanitary sewer, drainage and road facilities to serve or otherwise benefit the Property, as well as advancing the costs for all engineering, legal and other ancillary expenses relating thereto in furtherance of the Development Agreement.

7. In the event that: (a) the Developer shall acquire land in addition to the 1,611.83 acres comprising the Property; and (b) such additional land is added to the District, such additional land shall constitute "Property," and be subject to the terms and provisions of this Agreement.

8. The Developer and District agree that the District will acquire for the benefit of and convey to the City the water, sanitary sewage, and drainage facilities constructed hereunder. It is further agreed that the District will acquire and assign, transfer, and convey to the City or the County, as appropriate, the roads and road improvements constructed hereunder.

AGREEMENT

For and in consideration of the mutual promises, covenants, benefits, and obligations hereinafter set forth, the District and Developer hereby covenant, agree and contract as follows:

The Developer has the right, but is not obligated, to advance funds to construct and install certain roads and road improvements, and water, sanitary sewer and drainage facilities (herein collectively called the "Facilities"), but in the event Developer does advance funds to construct and install the Facilities, or any part thereof, then such advancement of funds and construction and installation of Facilities shall be upon the terms and conditions set forth herein.

A. The District shall use its best efforts to sell bonds for the purpose of reimbursing Developer for all previous and ongoing funds advanced by Developer for the purposes of organizing and operating the District, constructing the roads and road improvements and utility facilities, and all engineering, legal and other ancillary costs

relating thereto. It is the mutual intent and agreement of District and Developer to provide for future reimbursement of funds advanced by the Developer through the issuance by the District of its bonds (“Bonds”) and use of other legally available funds. The issuance of Bonds for such reimbursement by the District shall be subject to and conditioned upon the future stream of revenues from the Property, consisting of ad valorem tax proceeds and other fees and revenues, being adequate to enable such reimbursement, and specifically shall be subject to and conditioned upon, the progress of development within the Property, all as set forth herein.

B. The District shall be obligated and hereby covenants and agrees to acquire and purchase the Facilities from and reimburse Developer for all of such costs to the fullest extent such costs and expenses may be reimbursed, as allowed by law. The District further acknowledges and understands that if not for such covenants and agreements of the District as set forth herein, the Developer would not advance any funds for or on behalf of the District and/or construct any portion of the Facilities or develop the Property as the residential and commercial development as intended.

C. The Developer may advance funds for the purposes of (i) creating, validating and organizing the District (the “Organizational Costs”), (ii) constructing and installing the Facilities needed for mixed use development of the Property, and (iii) all planning, design, engineering, director fees, legal, insurance and other ancillary costs and expenses relating to the organization, operation, and administration of the District and the construction of the Facilities.

D. The District and Developer shall provide for the design, bidding and contracting, and construction of the Facilities in strict accordance with the terms and provisions of the Development Agreement.

E. Developer shall make, in a timely fashion, all payments on the contracts awarded by it for the construction of the Facilities. Developer shall, prior to making any payment, provide copies of all invoices and certifications recommending payment to the District.

F. The District shall reimburse the Developer for all Organizational Costs with proceeds of bond issues or other legally available funds. The District shall also reimburse Developer for and purchase the Facilities constructed by Developer in accordance with the plans and specification approved by the District with the proceeds of bond issues and/or other legally available funds. The amount to be reimbursed to Developer or the purchase price of the Facilities with respect to the water supply, sanitary sewer, and drainage improvements comprising the Facilities (the “Utilities”) will be the lesser of (i) the total cost of the Utilities paid by Developer including, without limitation, the sum of all construction and installation costs of the Utilities, and all other amounts paid by Developer for all engineering, legal and other ancillary costs and expenses relating to the operation and maintenance of the Utilities and the District, to the fullest extent same may be purchased or is reimbursable by the District to the Developer, as allowed by law, plus interest on the foregoing sum as allowed by the Texas Commission

on Environmental Quality (“TCEQ”), or (ii) the highest amount approved by the TCEQ for the District to purchase or construct the Utilities plus interest on such amount as allowed by the TCEQ. To the extent the TCEQ determines in reviewing the District’s bond application that certain Organizational Costs or other costs of the Utilities may not be purchased or reimbursed under the rules of such agency, then the purchase price shall be appropriately reduced but only by the amount not permitted to be reimbursed or purchased. With respect to the roads and road improvements comprising the Facilities (the “Roads”), the amount to be reimbursed to or the purchase price thereof will be all construction costs (which shall include costs of improvement and landscaping), engineering and other expenses, and financing costs incident to the construction or acquisition of a road or road improvement comprising Roads that benefit the District.

Developer shall provide the District with such information and documentation as District may reasonably request to enable it to calculate interest and verify payments. This includes, but is not necessarily limited to: copies of all pay estimates or invoices marked paid with the date and check number tendered in payment thereof, cancelled checks (front and back) supporting such payment, and such further support as may be reasonably required by the District. The District shall be unconditionally obligated to purchase the Facilities in phases as each phase is completed and reimburse Developer for same upon the occurrence of the following events:

1. The Developer shall not then be in default under the Development Agreement.
2. Voter approval of authorization to issue Bonds to finance the Facilities.
3. The phase of Facilities to be acquired shall be constructed in a good and workmanlike manner, and the materials used shall be free from defect and fit for their intended purpose.
4. The phase of Facilities to be acquired shall be constructed in dedicated public rights-of-way or easements. The Developer shall provide all the necessary easements, rights-of-way, and sites for the phase of Facilities to be acquired.
5. The District engineers shall provide the District with “as-built” drawings for the phase of Facilities to be acquired and certification to the effect that the construction has been completed in accordance with the plans and specifications as approved by the District.
6. With respect to the phase of Utilities to be acquired, approval by the TCEQ of the issuance and sale by the District of Bonds for the purchase thereof.

7. The receipt of a bid and awarding of sale of the Bonds by the District.
8. Approval of the Bonds by the Attorney General of the State of Texas.
9. Registration of the Bonds by the Comptroller of Public Accounts of the State of Texas.
10. Delivery of the Bonds and receipt by the District of the purchase price for the Bonds.
11. Completion of the reimbursement audit confirming the amounts to be paid by the District.

As an alternative to the conditions described in this Paragraph F (6) through (10), upon (i) the determination by the District of the availability of operating or construction funds surplus to its needs, and (ii) with respect only to the Utilities, approval by the TCEQ of the use of such surplus funds for such purpose, the District shall reimburse the Developer for the costs of the Facilities. At anytime, and without the need of TCEQ approval, the District shall, upon Developer's request, reimburse the Developer for Organizational Costs and operation and administrative expenses subject to the availability of surplus District operating funds in District's reasonable discretion.

G. The District shall use its best efforts to timely accomplish the following, and shall act diligently in pursuing and obtaining each of the following:

1. Satisfaction of the obligations set out in Section F.2. hereof.
2. Satisfaction of the obligations set out in Section F.5. hereof.
3. With respect to the Utilities, obtain the TCEQ's approval of the issuance and sale of the Bonds (or use of surplus funds). The District's application to the TCEQ for approval of the issuance of Bonds shall be filed by the District no later than the date that the District's financial advisor determines that the estimated net taxable value of the Property, as certified by the Collin County Appraisal District, is sufficient to support the debt service on the Bonds to be issued to purchase the Utilities at the District's then current debt service ad valorem tax rate after taking into consideration all other revenues available to the District. Such calculation shall confirm that the principal amortization schedule for the Bonds, when combined with the amortization schedules of the District's previous bond issues, will not result in any increase in the District's debt service tax rate throughout the term of the amortization after taking into consideration all other revenues

available to the District. In the event that the Facilities are purchased from the proceeds of the District's initial series of Bonds, the maximum tax rate for the preceding calculation shall be \$0.90 per \$100 of assessed value. Upon receipt of the TCEQ approval, the District shall proceed with the marketing of the Bonds.

4. With respect to Roads, proceed with the marketing of the Bonds upon the determination of the District's Financial Advisor as outlined in subparagraph 1. above.
5. Market the Bonds in a manner and at times advised by the District's financial advisor; subject to the terms of the Development Agreement.
6. Obtain the Attorney General's approval of the Bonds.
7. Obtain registration of the Bonds by the comptroller of Public Accounts of the State of Texas.
8. Satisfaction of the obligations set out in Sections F.10 and F.11. hereof.

H. Concurrently with the completion of a phase of the Facilities by the Developer, the Developer shall transfer and/or convey such Facilities to the District either by easement, special warranty deed or other appropriate special warranty instrument, as reasonably determined by Developer and the District, and such transfer and/or conveyance shall be with special warranties, free and clear of all liens and claims, including liens for ad valorem taxes for past and current years then due and payable, payments due to construction contractors, laborers, or materialmen, but such transfer and/or conveyance may remain subject to certain uses or rights of Developer or Developer's successors and/or assigns. The Developer shall provide such proof of title and proof that no such liens and claims, exist as may reasonably be required by the District. The conveyance or conveyances shall include all easements and rights-of-way where the Facilities are located (where such easements have not been dedicated to the public) and which are necessary to own, operate, and maintain the Facilities, and fee simple title to any sites, together with the necessary right-of-way thereto for such site or sites that are not directly assessable to a public street, and all licensees, franchises, and permits for the Facilities. The Developer shall also assign in writing all of its contractors' and materialmen's warranties and guaranties relating to the Facilities. The District shall not be liable to any contractor, engineer, attorney or materialman employed by or contracted with by the Developer solely by virtue of Developer's employment or contract. Such transfer or conveyance of title shall be expressly subject to the District's obligation to reimburse the Developer for all amounts due to Developer under this Agreement for such phase of the Facilities.

I. The Developer and District acknowledge and agree that the District will acquire from the Developer for the benefit of and convey to the City the Utilities constructed hereunder in accordance with Section 402.014, Local Government Code. Further that all such Utilities are necessary and will benefit the Property, the District, and the City. It is further acknowledged and agreed that the District will pay or reimburse the Developer the cost of constructing or acquiring the roads in accordance with Section 257.003, Transportation Code. All such Roads must benefit the District. Further, the District may assign all or any portion of its rights or obligations under this Agreement relating to the Roads, including title to and ownership of the Roads or portions thereof, to the City, Collin County or any other political subdivision authorized by law to own or maintain the Roads or portions thereof.

J. This Agreement and the obligations of the parties hereunder are subject to all applicable rules, regulations, and laws of the United States of America, the State of Texas or any regulatory agency having jurisdiction, including the rules of the TCEQ. The parties hereto specifically agree that in case any one or more of the sections, subsections, provisions, clauses or words of this Agreement, or the application thereof to any situation or circumstance, should be, or should be held to be, for any reason, invalid or unconstitutional, under the laws or constitutions of the State of Texas or the United States of America, or in contravention of any such laws or constitutions, such invalidity, unconstitutionality or contravention shall not affect any other sections, subsections, provisions, clauses or words of this Agreement, or the application thereof to any other situation or circumstance, and it is intended that this Agreement shall be severable and shall be construed and applied as if any such invalid or unconstitutional section, subsection, provisions, clause or word had not been included herein, and the rights and obligations of the parties hereto shall be construed and remain in force accordingly.

K. The failure of either party hereto to insist, in any one or more instances upon performance of any of the terms, covenants, and conditions of this Agreement, shall not be construed as a waiver of relinquishment of the future performance of any such term, covenant, or condition by the other party hereto, and the obligation of such other party with respect to such future performance shall continue in full force and effect. Upon the default of either party hereunder, the non-defaulting party shall have the right to enforce specific performance of the obligations of such party as set forth in this Agreement. In the event a default of the District hereunder is caused by any reckless or capricious action or inaction of the District, the Developer may, in addition to all other rights and remedies available to it by law (including, without limitation, specific performance), sue for damages. Any actions of specific performance against the Developer hereunder shall be specifically subject to Force Majeure, as defined herein. "Force Majeure" is hereby defined as earthquake, flood, acts of God, acts of the elements, acts of or by public enemies, war, insurrection, riot, strike, picketing, boycott, lockouts, inability to procure material or necessary labor in the open market, labor or material shortage, interruption of service or construction rendered by a public utility, interference by governmental action, failure of any government or agency thereof to grant any required permit or approval or application therefor, restraining order, or any other cause

(whether similar or dissimilar to the foregoing) that is beyond the reasonable control of the Developer.

L. The District further covenants and agrees to continue to sell Bonds until the Developer has been reimbursed and/or paid in full in the entire amount of the costs of the Facilities, to the fullest extent as allowed by law.

M. Notwithstanding anything herein to the contrary, the Developer may contract with third parties to perform its duties hereunder in its name as Developer deems appropriate in its sole and absolute discretion. However, Developer shall remain primarily liable for the performance of its obligations hereunder.

N. Notwithstanding anything herein to the contrary, the Developer may advance funds and construct and install the Facilities for portions of the Property and in different phases or sections over a period of time, as Developer deems appropriate in its sole and absolute discretion, and Developer shall not be obligated to advance funds and/or construct and install the Facilities for the entire Property at one time.

O. This Agreement shall be for the sole and exclusive benefit of the District and Developer and their successors and permitted assigns, and shall not be construed to confer any benefit or right upon any other party except as provided in Section R below.

P. Any notices required or permitted hereunder shall be in writing and either hand delivered, sent by overnight courier, facsimile transmittal or sent United States mail, postage prepaid, registered or certified mail, return receipt requested, addressed as follows:

If to DEVELOPER:

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

With a copy to:

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

If to DISTRICT:

Collin County Fresh Water Supply District No. ___
c/o Law Offices of Clay E. Crawford, P.C.
19 Briar Hollow Lane, Suite 245
Houston, Texas 77027
TEL: (713) 621-3707
FAX: (713) 621-3909

With a copy to:

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

Any notices sent by United States mail shall be deemed received, whether or not actually received, on the second business day after the date on which same is deposited in a regularly maintained official receptacle for the United States mail located within the confines of the continental United States of America. If hand delivered, sent by overnight courier or facsimile transmittal, said notice shall be deemed received on the date of actual receipt.

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

R. This Agreement shall be assignable, in whole or in part, by the Developer by written instrument pursuant to which the assignee shall unconditionally assume and accept all of the rights, benefits, duties and obligations of the Developer hereunder which are so assigned. Such assignment shall be binding upon the District only upon the District's receipt of notice of such assignment including a copy of same. Further, upon request of the Developer, the District shall acknowledge any assignment of the right to reimbursement hereunder to a lender to the Developer, which assignment shall be binding upon the District. This Agreement is assignable by District in accordance with Section K hereof.

S. This Agreement, along with the Development Agreement, constitutes the entire Agreement between the parties relative to the subject matter hereof, and there have not been and are no other agreements, covenants, representations or warranties between the parties other than those expressly stated therein or provided for herein.

T. Each party hereby agrees that it will take all actions and execute all documents reasonably necessary to fully carry the purpose and intent of this Agreement.

U. This Agreement shall be binding on the parties hereto and their respective successors and permitted assigns.

V. If any party hereto is a corporation, limited liability company or partnership, such party represents to the other party that the execution and delivery of this Agreement has been duly authorized by all necessary proceedings and actions, including action on the part of such corporation's board of directors, limited liability company's members and/or such partnership's partners.

In Witness Whereof, the parties have executed this Agreement as of the day and year first written above.

District:

Attest:

Secretary, Board of Directors

By: _____
Name: _____
Title: _____

Developer:

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 _____ §

This instrument was acknowledged before me on _____, 2005, by Jon Bayless, General Partner for Honey Creek Partners, L.P., a Texas limited partnership, on behalf of said partnership.

Notary Public in and for T E X A S

STATE OF TEXAS §
 §
COUNTY OF _____ §

This instrument was acknowledged before me on _____, 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.

Notary Public in and for T E X A S