DEVELOPMENT AGREEMENT

This Development Agreement (this "Agreement") is executed between Chisholm Properties, L.P. ("Owner") and the City of McLendon-Chisholm, Texas (the "City") to be effective June 11, 2007 (the "Effective Date").

ARTICLE I
RECITALS

WHEREAS, the City is a Type A general-law municipality of the State of Texas; and

WHEREAS, Owner is a Texas limited partnership; and

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

WHEREAS, Owner is the owner of the real property located in Rockwall County and described by metes and bounds on **Exhibit A** and depicted on **Exhibit B** (the "Property"); and

WHEREAS, all of the Property is located within the City's extraterritorial jurisdiction ("ETJ") and not within the corporate limits or ETJ of any other municipality; and

WHEREAS, in addition to the Property, Owner also owns certain real property located in the City's corporate limits and described by metes and bounds on **Exhibit C** and depicted on **Exhibit D** (the "In-City Property"); and

WHEREAS, the Property and the In-City Property are collectively referred to as the "Development Property"; and

WHEREAS, the Parties intend for the Property to be annexed into and developed within the corporate limits of the City in accordance with this Agreement; and

WHEREAS, if the Property is annexed into the corporate limits of the City, the Parties intend that, pursuant to Section 212.172 of the Texas Local Government Code, the Property shall be developed in accordance with this Agreement; and

WHEREAS, if the Property is not annexed into the corporate limits of the City, the Parties intend for the Property to be developed within the ETJ of the City and subject to the City's exclusive jurisdiction to regulate subdivision plats and approve related permits in the ETJ pursuant to Section 242.001(a)(3), Texas Local Government Code; and

WHEREAS, the City intends to use its best efforts to enter into an interlocal agreement (the "Wastewater Interlocal Agreement") with the City of Rockwall, Texas ("Rockwall") pursuant to which the City will have the right to connect to the Buffalo Creek Interceptor System (the "Buffalo Creek Interceptor System") that is the subject of that certain agreement between North Texas Municipal Water District ("NTMWD"), Rockwall, the City of Heath ("Heath"), and the City of Forney ("Forney") dated January 22, 2004 (the "Wastewater Agreement"); and

WHEREAS, the Parties intend that the Wastewater Interlocal Agreement will provide adequate wastewater transmission and treatment capacity to serve full development of the Development Property and, at Owner's option, an additional 400 connections for 400 acres of property within the City's corporate limits (the "Future Development Property"); and

WHEREAS, the parties to the Wastewater Agreement may be required to consent to the Wastewater Interlocal Agreement; and

WHEREAS, the Parties acknowledge that time is of the essence in the execution of the Wastewater Interlocal Agreement; and

WHEREAS, the Parties intend that Owner shall participate in the negotiations with respect to the execution of the Wastewater Interlocal Agreement; and

WHEREAS, on August 21, 2006, Rockwall adopted Resolution No. 06-40 (the "Wastewater Resolution") authorizing Rockwall to provide wastewater service to the City through the Buffalo Creek Interceptor System; and

WHEREAS, pursuant to the terms of the Wastewater Resolution, Rockwall: (i) reserved the right to require that the City request full participant status as outlined in the Buffalo Creek Interceptor System Contract; and (ii) will require the City to pay Rockwall's established rate for wastewater services (treatment and transmission), including a twenty percent (20%) surcharge; and

WHEREAS, wastewater infrastructure is needed to serve the development of the project described in that certain memorandum of understanding between the City and Noble-Kidd Development and dated January 31, 2007 (the "Triple Creek Project"); and

WHEREAS, the Parties intend that Owner and the developer of the Triple Creek Project (the "Triple Creek Developer") will enter into a separate agreement that provides for the construction of a wastewater line that will serve the development of the Development Property and the Triple Creek Project (the "Wastewater Line") upon full execution of the Wastewater Interlocal Agreement in accordance with this Agreement (the "Wastewater Cost-Sharing Agreement"); and

WHEREAS, the Parties intend that the Wastewater Cost-Sharing Agreement will provide in part for the sharing of costs associated with the construction of the Wastewater Line, each parties capacity in the Wastewater Line, the location of the Wastewater Line, and a timeframe for construction of the Wastewater Line; and

WHEREAS, Owner and the City intend to share wastewater tap fees generated by development of the Development Property as provided for by this Agreement; and

WHEREAS, RCH Water Supply Corporation ("RCH") holds the Certificate of Convenience and Necessity ("CCN") to provide retail water service to the Development Property; and

WHEREAS, no entity holds the CCN to provide retail wastewater service to the Development Property; and

WHEREAS, Owner will consent to and support the efforts of the City to be the retail provider of water and wastewater service to the Development Property; and

WHEREAS, Owner is willing to pay certain City costs to become the retail provider of water and wastewater service to the Development Property, subject to the terms of this Agreement; and

WHEREAS, some of the water, wastewater, roads, drainage, and other public infrastructure necessary and convenient for the development of the Development Property (collectively, "Public Infrastructure") is not currently available; and

WHEREAS, Owner's intended development of the Development Property, including the design, construction, and installation of Public Infrastructure, will benefit the City and its current and future citizens, without any capital investment by the City; and

WHEREAS, to facilitate Owner's intended development of the Development Property in a cost-effective and market-competitive manner, Owner intends to construct a variety of public improvements that will confer a special benefit on the Development Property (the "Public Improvements"), which Public Improvements shall include, but are not limited to, the Public Infrastructure; and

WHEREAS, the Parties desire to set forth their understanding of their obligations with respect to development of the Development Property, including the construction of Public Improvements; and

WHEREAS, the Parties anticipate that the City Council of the City (the "City Council") will consider: (i) the creation of a Public Improvement District (a "PID") encompassing the Development Property in accordance with Chapter 372, Texas Local Government Code (the "PID Act"); (ii) the adoption by the City Council of a service and assessment plan (the "Service and Assessment Plan") and assessment ordinance (the "Assessment Ordinance") levying special assessments on the Development Property to finance the construction of the Public Improvements; and (iii) the issuance of one or more series of revenue bonds (individually, a "PID Bond Series" and collectively, the "PID Bonds") secured by the special assessments on the Development Property; and

WHEREAS, the Parties acknowledge that the Public Improvements will be constructed by Owner in phases at no cost or expense to the City; and

WHEREAS, Owner submitted to the City Council a written petition dated May 29, 2007 requesting that the City Council consent to the creation of a fresh water supply district, a drainage district, a special utility district, a municipal utility district, a water control and improvement district, and a special legislative district encompassing the Development Property (each individually or collectively, the "District"); and

WHEREAS, on July 9, 2007, the City Council will consider the adoption of a resolution consenting to the creation of the District (the "Consent Resolution"); and

WHEREAS, in addition to the Consent Resolution, the City desires to consent to the creation of the District by and through the execution of this Agreement; and

WHEREAS, the Parties intend that the consents given by the City (both in the Consent Resolution and this Agreement) to the creation of the District shall each be in full satisfaction of all statutory and regulatory requirements including, but not limited to, any applicable requirement for consent contained in the Texas Water Code, the Texas Local Government Code, or any rule, regulation, or policy promulgated by the Texas Commission on Environmental Quality (the "TCEQ"); and

WHEREAS, the Parties intend that the District shall have the right to finance the construction of Public Infrastructure that is not financed by the issuance of PID Bonds, which District financing would take the form of bonds (i) issued by the District to reimburse Owner for costs and expenses paid or incurred by Owner to design, construct, and install Public Infrastructure; (ii) secured by ad valorem taxes levied against the Development Property and by any other funds legally available to the District for such purpose; and (iii) approved by the TCEQ and the Texas Attorney General (the "AG"); and

WHEREAS, the Parties intend that the District will have the right to own or lease, operate, maintain, and repair Public Infrastructure (to the extent that the City declines such rights), together with the right to provide water and wastewater service to the Development Property (to the extent not provided by the City and to the extent another entity does not hold the water CCN), subject to terms and conditions approved by the City in this Agreement and the Consent Resolution; and

WHEREAS, the Parties intend that the District have the power of eminent domain to the extent permitted by law to allow the District to condemn the off-site easements and right-of-way necessary for the full development of the Development Property to the extent necessary for the construction of City-required improvements; and

WHEREAS, the Parties intend that the District shall have the right to provide all services authorized by the Texas Water Code including, but not limited to, police, fire, and emergency medical services and solid waste disposal services (to the extent not provided by the City), subject to terms and conditions approved by the City in this Agreement and the Consent Resolution; and

WHEREAS, the Parties have the authority to enter into this Agreement pursuant to Section 212.171 *et seq.* of the Texas Local Government Code and pursuant to the City's general contracting authority.

NOW THEREFORE, for and in consideration of the mutual covenants of the Parties set forth in this Agreement, and for other good and valuable consideration the receipt and adequacy of which are acknowledged and agreed to by the Parties, the Parties agree as follows:

ARTICLE II
OWNER OBLIGATIONS

2.1 Zoning of the Development Property. The City agrees to consider zoning the Development Property as a planned development district that allows single-family development

at a minimum density of two dwelling units per gross acre, is otherwise consistent with the Development Regulations and Special Regulations (hereinafter defined), and is in a form acceptable to Owner (collectively, the "Proposed Zoning of the Development Property"). Notwithstanding the foregoing, nothing in this Agreement shall be interpreted to require the City to approve zoning of any portion of the Development Property.

2.2 Owner's Obligations.

(a) If the City approves the Proposed Zoning of the Development Property within three months after the Effective Date:

(1) Owner shall comply with the restrictions and requirements of the Development Regulations related to density, lot size, setbacks, house size, open space and improvements to League Road (including revisions thereto in accordance with this Agreement) in developing the Property.

(2) The obligation to pay the Municipal Service Fee Installment (hereinafter defined) shall become effective (but only to the extent that the City has issued PID Bonds in accordance with this Agreement).

(3) Pursuant to the terms and conditions of this paragraph, Owner shall donate a minimum 12-acre school site on the Development Property (the "School Site") to the Rockwall Independent School District (the "RISD") within five years after the Effective Date. If the RISD does not accept Owner's offer to donate the School Site within 90 days after Owner delivers a written offer to the RISD, Owner may develop the School Site in accordance with this Agreement and Owner shall have no obligation to donate the School Site. Owner may restrict the RISD's use of the School Site to an elementary school and related facilities (to be further defined by Owner in the deed). Owner shall not be obligated to pay the costs to provide water, wastewater, drainage, roadway, and other infrastructure to serve the School Site, and as a condition to donation of the School Site, Owner may require the RISD to agree to pay its pro rata share of such costs, or in the event that Owner develops adjacent to the School Site prior to RISD's development of the School Site, reimburse Owner for such costs.

(4) Owner will agree to pay on behalf of the City an amount not to exceed $75,000 for the City's actual legal expenses associated with becoming the retail provider of water service to the Development Property, provided that the legal services are provided by a law firm of Owner's choice and that the terms and conditions are set forth in a separate agreement in a form acceptable to Owner. Owner shall provide the City with a draft of such agreement within 15 days after the City approves the Proposed Zoning of the Development Property, which draft shall be executed by Owner at the time of delivery.

(b) Notwithstanding anything to the contrary in this Agreement, if the City does not approve the Proposed Zoning of the Development Property within three months after the Effective Date, Owner shall automatically be relieved of all of the obligations

and restrictions described above in this Section 2.2, and the Property shall not be burdened by any of the restrictions on it in this Section 2.2.

2.3 Tax Increment Finance District. Prior to the issuance of PID Bonds or District bonds, the City shall have created a tax increment reinvestment zone encompassing the Development Property (the "TIRZ"), adopted a final project and finance plan for such TIRZ, and entered into a reimbursement agreement between Owner, the board of the Tax Increment Finance district, and the City, all in a form reasonably satisfactory to Owner, in compliance with Chapter 311 of the Texas Tax Code, and, at a minimum, in a form that obligates the City to contribute a minimum of 70% of the ad valorem tax increment for the Development Property to reimburse Owner for the costs of eligible public improvements (although such actions by the City are not to be construed as conditions to the issuance of PID Bonds or District bonds). Ad valorem increments, at the option of Owner, may be used as security for the sale and issuance of the PID Bonds, or, in the absence of PID Bonds, as security for the sale and issuance of District bonds. Notwithstanding anything to the contrary in this Agreement, if the City does not comply with this section, Owner shall automatically be relieved of the Owner obligations identified in Section 2.2 to the extent Owner has not already performed those obligations, and the Property shall not be burdened by any of the restrictions on it in Section 2.2.

2.4 No Waiver. Owner may voluntarily fulfill any of the obligations listed in Section 2.2 above regardless of any action taken by the City, however, Owner voluntarily fulfilling any obligation under this Agreement does not waive Owner's right to claim that it is not obligated to perform any of the remaining obligations under Section 2.2 if the City does not approve the Proposed Zoning of the Development Property within three months after the Effective Date.

2.5 Development of the Property. The Property may be developed in accordance with the terms of this Agreement notwithstanding any contrary zoning of the Property.

ARTICLE III
JURISDICTIONAL STATUS

3.1 Full-Purpose Annexation. Upon full execution of this Agreement, Owner consents to the City's full-purpose annexation of the Property into the City's corporate limits, which consent shall be irrevocable. The City shall have the right, but not the obligation, to full purpose annex the Property. OWNER AND ALL FUTURE OWNERS OF THE PROPERTY (INCLUDING END-BUYERS), DEVELOPERS, AND THE DISTRICT IRREVOCABLY AND UNCONDITIONALLY CONSENT TO THE FULL PURPOSE ANNEXATION OF THE PROPERTY INTO THE CORPORATE LIMITS OF THE CITY IN ACCORDANCE WITH THIS AGREEMENT AND WAIVE ALL OBJECTIONS AND PROTESTS TO SUCH ANNEXATION. THIS AGREEMENT SHALL SERVE AS THE PETITION OF OWNER AND ALL FUTURE OWNERS AND DEVELOPERS TO THE FULL PURPOSE ANNEXATION OF THE PROPERTY AND THE IRREVOCABLE AND UNCONDITIONAL CONSENT OF THE DISTRICT TO THE CITY'S ANNEXATION OF THE DISTRICT IN ACCORDANCE WITH THIS AGREEMENT. THIS COVENANT SHALL RUN WITH THE LAND AND SHALL BE BINDING ON ALL PRESENT AND FUTURE OWNERS, DEVELOPERS, AND THE DISTRICT.

3.2 Effect of Full-Purpose Annexation. Development of the Property after full-purpose annexation into the corporate limits of the City shall be in accordance with the terms of this Agreement for the Term (hereinafter defined).

ARTICLE IV
GOVERNING REGULATIONS

4.1 Applicability. This article applies only to the Property.

4.2 Governing Regulations. Development of the Property shall be governed solely by the following regulations (collectively, the "Governing Regulations"):

(a) The Property will be developed in accordance with the Concept Plan (hereinafter defined), as amended from time to time in accordance with this Agreement, which plan shall be considered a plan for development as provided for in Texas Local Government Code Section 245.002; and

(b) The subdivision regulations of the City in effect on May 11, 2007 (the "Subdivision Regulations");

(c) All City ordinances, other than the City's zoning ordinance, in effect on May 11, 2007 (the "City Ordinances");

(d) The building codes in effect on May 11, 2007 (the "Building Codes");

(e) The special regulations set forth on **Exhibit E** (the "Special Regulations");

(f) The development regulations set forth on **Exhibit F** (the "Development Regulations");

(g) Final plats for portions of the Property that are approved from time to time by the City in accordance with this Agreement (the "Approved Plats");

(h) Revisions to the Development Regulations allowed by this Article IV;

(i) The Development Processes described in Article V;

(j) The Development Charges described in Article VI; and

(k) The Public Infrastructure and Retail Utility Service provisions of Article VII.

The Governing Regulations are exclusive, and no other ordinances, rules, regulations, standards, policies, orders, guidelines, or other City-adopted or City-enforced requirements of any kind (including but not limited to any moratorium adopted by the City after the Effective Date) apply to the development of the Property. Nothing in this section shall be construed to limit in any way the City's rights under Section 245.004 of the Texas Local Government Code.

4.3 Development Regulation Revisions. The City Administrator of the City may administratively approve the following "minor revisions" to the Development Regulations: (a) an increase in the height of any structure by five percent (5%) or less; (b) a setback reduction of ten percent (10%) or less; (c) an increase in lot coverage of five percent (5%) or less; and (d) a reduction in off-street parking of five percent (5%) or less. The City Council may permit exceptions to strict compliance with the Development Regulations when Owner demonstrates, to the reasonable satisfaction of the City Council, that the requested exception: (a) is not contrary to the public interest; (b) does not cause injury to adjacent property; and (c) does not materially adversely affect the quality of development.

4.4 Conflicts.

(a) In the event of a conflict between this Agreement and any of the City Ordinances (including the Subdivision Regulations), this Agreement shall control.

(b) In the event of any conflict between any of the Governing Regulations (other than an Approved Plat) and the Development Regulations or the Special Regulations, the Development Regulations or Special Regulations shall control.

(c) In the event of any conflict between any Approved Plat and any of the other Governing Regulations, the Approved Plat shall control.

ARTICLE V
DEVELOPMENT PROCESSES

5.1 Applicability. This article applies only to the development of the Property, and all references to Public Infrastructure in this article shall be limited to only that portion of the Public Infrastructure necessary and convenient for the development of the Property.

5.2 Jurisdiction. Pursuant to the authority of Section 242.001(a)(3), Texas Local Government Code, the City shall have and exercise exclusive jurisdiction over the review and approval of (a) preliminary plans[1] and final plats; (b) the design, construction, installation, and inspection of Public Infrastructure. The City shall also have and exercise exclusive jurisdiction over the construction and occupancy of structures. Rockwall County shall have and exercise no jurisdiction over such matters.

5.3 Plat Approval. Development of the Property shall require approval of preliminary plans and final plats by the City in accordance with the Subdivision Regulations, as modified by the Special Regulations.

5.4 Public Infrastructure. Public Infrastructure shall be designed to comply with the Governing Regulations, and no construction or installation of Public Infrastructure shall begin until plans and specifications have been approved by the City or its designee in accordance with

[1] The terms "preliminary plan" and "preliminary plat" are used interchangeably in the Subdivision Regulations.

the Subdivision Regulations, as modified by the Special Regulations, which approvals shall not be unreasonably delayed or withheld. All Public Infrastructure shall be constructed and installed in compliance with the Governing Regulations and shall be inspected to determine compliance. Inspections shall be performed by the City's building official or his or her designee. Inspections shall be paid for by Owner or the contractor performing the work. All inspections of Public Infrastructure constructed by the District shall be performed, at a minimum, to assure compliance with TCEQ rules and regulations.

5.5 Building Permits. No permanent structure intended for human occupancy (a "Structure") shall be constructed unless a building permit has been issued by the City's building official certifying that the plans and specifications for the Structure are in compliance with the Building Codes and Development Regulations (to the extent such regulations are applicable under Section 2.2). Required inspections of Structures shall be paid for by the owner of the property on which the work is being performed. Except as otherwise provided below for model homes, no building permit may be issued for a Structure until completion of all Public Infrastructure that will serve the lot on which the Structure is being constructed. Building permits shall be issued for model homes prior to completion of construction of the Public Infrastructure that will serve the lot on which the model home is being constructed, but only after fire hydrants are in place and activated and paved fire lanes have been constructed to serve the lot on which the model home is being constructed; however, no model home may be sold to any end-buyer of a fully developed and improved lot within the Property ("End-Buyer") until a final plat has been recorded and the construction of all Public Infrastructure necessary to serve that lot has been completed. No building permit may be issued to a builder that does not own land within the Property unless such builder agrees in writing to be bound by this Agreement and delivers a copy of such writing to the City Secretary. All building permits shall be paid for by the builder performing the work, or by the owner of the property on which the work is being performed.

5.6 Certificate of Substantial Completion. Except for model homes, no Structure may be occupied until a certificate of substantial completion has been issued by the City's building official certifying that the Structure has been constructed in compliance with the Governing Regulations. Model homes may be occupied for the sole purpose of sales and marketing and may not be used as a residence; however, no model home may be sold to or occupied by an End-Buyer until a certificate of substantial completion has been issued. All certificates of substantial completion shall be paid for by the builder performing the work, or by the owner of the property on which the work is being performed.

5.7 Inspections by the City. The City shall have the right to enforce compliance and to stop work on the Public Infrastructure or Structure by the issuance of a "stop-work order" if the City determines that any Public Infrastructure or any Structure is not being constructed in compliance with the Governing Regulations until the non-compliance is corrected. If any inspection conducted by the City determines that any Public Infrastructure or any Structure is not being constructed in compliance with the Governing Regulations, all costs and expenses paid or incurred by the City in exercising its rights under this section shall be paid by the contractor or builder, or by the owner of the property on which the work is being performed. Nothing in this section is intended to create any liability of the City to determine whether any Public Infrastructure or Structure is constructed in accordance with the Governing Regulations.

5.8 City Inspections. All City inspections shall be performed within 30 days after the City receives a written request to do so.

ARTICLE VI
DEVELOPMENT CHARGES

6.1 Municipal Service Fees. If the City approves the Proposed Zoning of the Development Property within three months after the Effective Date, Owner shall pay or cause to be paid to the City two percent (2%) of the gross bond proceeds from the sale and issuance of each PID Bond Series for the Development Property (the "Municipal Service Fee Installment") upon the City's delivery of a written request to Owner after the date that bond proceeds from each PID Bond Series are available for distribution. The City may use the Municipal Service Fee Installment for any legal purpose, including, but not limited to, the acquisition of certificates of convenience and necessity and the provision of police, fire, and emergency medical services. The Municipal Service Fee Installment shall be reduced by all amounts paid by Owner to the City pursuant to Subsections 2.2(a)(4) and 7.3(a) of this Agreement.

6.2 Wastewater Tap Fees. If the City approves the Proposed Zoning of the Development Property within three months after the Effective Date and the City becomes the retail provider of wastewater service to the Development Property, then development of the Development Property shall be subject to payment of the City's wastewater tap fees, which wastewater tap fees shall not exceed $3,000 ("Wastewater Tap Fees"); subject, however, to the obligation of the City to refund to Owner 60% of all Wastewater Tap Fees collected within the Development Property. If a third party operates the wastewater system pursuant to a contract with the City, the City shall require that party to remit Owner's share upon that third party's receipt of tap fees collected within the Development Property.

6.3 Impact Fees. In consideration of the Owner's obligations in this Agreement, the Owner will not be subject to the payment to the City of any impact fees or other capital recovery fees and charges of any kind, and the City shall not collect any impact fees from the Owner in connection with the Development Property.

6.4 Plan Review, Building Permit, and Inspection Fees. The City's review of all building permit applications and construction plans, and the City's inspection of infrastructure, shall be subject to fees imposed by the City uniformly throughout the City's corporate limits.

ARTICLE VII
PUBLIC INFRASTRUCTURE; RETAIL UTILITY SERVICE

7.1 Public Infrastructure. Owner, at its sole cost, shall design, construct, and install all Public Infrastructure (except as otherwise provided in this Agreement for the Wastewater Line) using proceeds from the issuance and sale of PID Bonds. If for any reason PID Bonds sufficient to pay for the costs to design, construct, and install the Public Infrastructure are not issued within the timeframes set forth in this Agreement, such costs may be paid from the proceeds of District bonds ("District Bonds") secured by ad valorem taxes levied on property within the District and by other funds legally available to the District. The City shall have no

obligation to pay for any Public Infrastructure or for debt service on PID Bonds or District Bonds, except the City will be obligated to pay the debt service on PID Bonds from assessments it collects for that purpose. Owner shall not be required to construct or pay for off-site improvements or oversized improvements not expressly described in this Agreement or otherwise necessary to serve the development of the Development Property.

7.2 Retail Water Service. Owner consents to and will support the efforts of the City to be the retail provider of water service to the Development Property. If the City obtains the right to be the retail provider of water service to the Development Property but declines the option to operate the water system, Owner further consents to and will support: (i) an interlocal agreement between the City and the District pursuant to which the District may lease, operate, maintain, and repair Public Infrastructure and provide other services to the City in furtherance of the City's role as the retail provider; or (ii) a contract between the City and a qualified, private party pursuant to which such party may lease, operate, maintain, and repair Public Infrastructure and provide other services to the City in furtherance of the City's role as the retail provider.

7.3 Retail Wastewater Service.

(a) Owner consents to and will support the efforts of the City to be the retail provider of wastewater service to the Development Property. Within ten days after the City's written request following the execution of the Wastewater Cost-Sharing Agreement and only if the City approves the Proposed Zoning of the Development Property within the time period stated in Article II, Owner will pay on behalf of the City an amount not to exceed $30,000 for the City's application fee to obtain the CCN to be the retail provider of wastewater service to the Development Property.

(b) If the City obtains the right to be the retail provider of wastewater service to the Development Property, but declines the option to operate the wastewater system, Owner further consents to and will support: (i) an interlocal agreement between the City and the District pursuant to which the District may own or lease, operate, maintain, and repair Public Infrastructure and provide other services to the City in furtherance of the City's role as the retail provider; or (ii) a contract between the City and a qualified, private party pursuant to which such party may own or lease, operate, maintain, and repair Public Infrastructure and provide other services to the City in furtherance of the City's role as the retail provider.

(c) The City agrees to: (i) formally request that Rockwall enter into the Wastewater Interlocal Agreement; (ii) submit a draft of such agreement to Rockwall within 60 days after the Effective Date and diligently pursue finalizing it thereafter; (iii) provide Owner a reasonable opportunity to review and comment upon such draft and subsequent revisions to it; and (iv) provide Owner with notice of any public meetings held by Rockwall or the City to consider the Wastewater Interlocal Agreement.

(d) If the Wastewater Interlocal Agreement has not been executed by the City and Rockwall within nine months after the Effective Date or if such interlocal agreement does not permit the City to reserve to Owner and its successors and assigns a minimum of 1,095 residential connections of wastewater treatment capacity (estimated at 1,380,000

gallons per day), or at Owner's option, a minimum of 1,495 residential connections of wastewater treatment capacity (estimated at 1,884,000 gallons per day), the District may take all actions necessary to provide retail wastewater service to the Development Property, and Owner shall be relieved of its obligations under Section 7.4. In addition, in such case Owner and the District shall have the right to pursue wastewater service from any other source, and the City consents to and will support (and will not, directly or indirectly, oppose) any actions by Owner or the District to obtain wastewater service from another source.

(e) The Parties agree that Owner or the District may make application to the TCEQ for a discharge permit to allow the operation of a temporary wastewater system or package plant to be located within or near the Development Property until such time as the City obtains wastewater treatment capacity needed to serve the Development Property and the wastewater infrastructure is in place to serve the Development Property.

(f) Without limiting any of Owner's other options for obtaining wastewater service for the Development Property under this Agreement or State law, if Owner is relieved of its obligation to enter into the Wastewater Cost-Sharing Agreement pursuant to Sections 7.3(d) or 7.4(b), Owner may commence construction of a wastewater line at a location acceptable to Owner, which line may, at Owner's option, be designed with capacity to serve only the Development Property.

7.4 Wastewater Line.

(a) Owner shall enter into the Wastewater Cost-Sharing Agreement with the Triple Creek Developer. The Wastewater Cost-Sharing Agreement shall include, at a minimum, the following provisions and shall be in a form acceptable to Owner:

(1) A requirement that the Wastewater Line contain sufficient capacity for the Triple Creek Project and additional capacity of at least 1,095 residential connections of wastewater treatment capacity (estimated at 1,380,000 gallons per day), or at Owner's option, a minimum of 1,495 residential connections of wastewater treatment capacity (estimated at 1,884,000 gallons per day), which additional capacity shall be reserved to Owner;

(2) A requirement that the parties oversize that section of the Wastewater Line from State Highway 205 to the Buffalo Creek Interceptor System and stub it out at State Highway 205 near the bridge south of the City's corporate limits to serve the City's current central commercial district (the "Oversized Segment");

(3) A requirement for each party to pay its pro rata share (based on capacity) of the actual costs of the engineering, design, labor, materials, and construction of the Wastewater Line and the actual costs to acquire easements or right-of-way in which to construct the line (collectively, the "Actual Costs"), and a payment schedule for each party's payment of its share of the costs;

(4) A requirement that the design capacity of the Oversized Segment will be determined by the mutual agreement of the City, Owner, and the Triple Creek Developer, which capacity shall not exceed 25% of Owner's and the Triple Creek Developer's capacity in the Wastewater Line;

(5) A provision limiting Owner's financial obligation for the Wastewater Line (including the Oversized Segment) to Owner's pro rata share of the Actual Costs of the Wastewater Line, which pro rata share shall be based on a fraction the numerator of which is Owner's share of the capacity in the Wastewater Line and the denominator of which is the sum of Owner's and the Triple Creek Developer's capacity in the Wastewater Line;

(6) A date by which construction of the Wastewater Line shall begin;

(7) A requirement that the parties use their best efforts to complete construction of the line by a certain date;

(8) The approximate location of the Wastewater Line;

(9) A provision allowing Owner to commence construction of the Wastewater Line at a location acceptable to Owner and without capacity for the Triple Creek Project if the Triple Creek Developer breaches any of the terms of the Wastewater Cost-Sharing Agreement;

(10) A requirement that the Wastewater Interlocal Agreement be executed (allowing for each party's capacity as stated above in Section 7.4(a)(1) and subject to any approvals required by the Wastewater Agreement) prior to either party's requirement to perform its obligations under the Wastewater Cost-Sharing Agreement; and

(11) A right for either party to terminate the Wastewater Cost-Sharing Agreement if (i) the Wastewater Interlocal Agreement is not executed within nine months after the Effective Date of this Agreement (allowing for each party's capacity as stated above in Section 7.4(a)(1)); or (ii) approvals to such execution as may be required by the Wastewater Agreement are not obtained prior to its execution.

(b) Notwithstanding anything to the contrary in this Agreement, Owner shall not be obligated to comply with Subsection 7.4(a) if:

(1) Owner uses commercially reasonable efforts to enter into the Wastewater Cost-Sharing Agreement, and Owner and the Triple Creek Developer have failed to enter into such agreement within six months after the Effective Date;

(2) The City does not approve the Proposed Zoning of the Development Property within three months after the Effective Date; or

(3) The City breaches Section 11.3 prior to the execution of the Wastewater Cost-Sharing Agreement.

(c) Notwithstanding anything to the contrary in this Agreement, Owner shall not be obligated to pay for or construct the Wastewater Line with additional capacity as contemplated by Section 7.4(a)(4) if the Wastewater Interlocal Agreement does not provide for Rockwall's acceptance of the flows that would be carried by such additional capacity in the Wastewater Line.

7.5 Off-Site Easements and Right-of-Way. To the extent Owner or the District is unable to acquire off-site land necessary to serve the development of the Development Property (including, but not limited to roadway, water, wastewater, and drainage improvements), the City is willing to use its power of eminent domain to acquire the right-of-way or easements necessary for such improvements.

ARTICLE VIII
PUBLIC IMPROVEMENT DISTRICT

8.1 Public Improvements. Public Improvements are those improvements that confer a special benefit upon the Development Property and are authorized under Section 372.003 of the PID Act, including all of the Public Infrastructure (collectively, the "Public Improvements").

8.2 Creation of PID. Upon the petition of the landowners, the City shall consider the creation of a PID encompassing the Development Property, the adoption of the Service and Assessment Plan that will finance the Public Improvements, the adoption of the Assessment Ordinance, and the issuance of PID Bonds.

8.3 Competitive Bidding. This Agreement and construction of the Public Improvements are exempt from competitive bidding pursuant to Texas Local Government Code Section 252.022(a)(9) and 252.022(a)(11), provided that the requirements of those exceptions are complied with.

8.4 Ownership. Public Improvements shall be owned, operated, maintained, and repaired by the District or other entity selected by the City.

8.5 Timing of Actions. Within six months of Owner submitting to the City all documents required by Chapter 372 of the Texas Local Government Code or otherwise necessary for the City to perform each of the following obligations (including, but not limited to, a service and assessment plan and a draft assessment ordinance): (i) the City shall adopt a resolution creating the PID, and (ii) the City shall approve a Service and Assessment Plan for the PID and an Assessment Ordinance for the PID, all in form and substance acceptable to Owner. The Parties may extend this time period in a separate written agreement signed by both Parties.

ARTICLE IX
PID BONDS

9.1 Issuance of PID Bonds. The City will consider issuance of PID Bonds to finance the construction of a portion of the Public Improvements. The City cannot guarantee the

issuance and sale of PID Bonds and will not be obligated to offer such bonds for sale in contravention of any laws of the State. The proceeds from the issuance and sale of PID Bonds shall be applied in the following order of priority: **First:** to payment of the Municipal Service Fee Installment[2] (but only if the City approves the Proposed Zoning of the Development Property within three months after the Effective Date) and any conditions to the payment of the Municipal Service Fee Installment have been satisfied within the time periods stated in this Agreement); **Second:** to payment of the costs of issuance, including all reasonable costs and expenses of the City (including administrative expenses incurred prior to closing) not previously reimbursed by Owner, and any fees and expenses of the bond trustee, bond counsel, underwriter's counsel, and counsel to the trustee; **Third:** to payment of the costs of funding all reserves, accounts, and funds required by the ordinance authorizing issuance of the PID Bonds; **Last:** deposited into an interest bearing account (the "Construction Fund") administered by the City in accordance with this Agreement.

9.2 Timing of Actions.

(a) Within six months of Owner submitting to the City all documents required by Chapter 372 of the Texas Local Government Code or otherwise necessary for the City to perform, the City shall issue the first PID Bond Series and sell bonds in an amount sufficient to pay for the construction of the Wastewater Line in accordance with this Agreement (if applicable) and for qualifying improvements in the first phase of the Development Property (if requested by Owner), including, but not limited to, off-site improvements, and the net proceeds from the sale of the series shall promptly be placed in an escrow account to pay for such construction, which proceeds shall be disbursed to Owner based on reasonable draw criteria as the improvements are constructed.

(b) Following the issuance of the first PID Bond Series, the City shall (i) issue each subsequent PID Bond Series within 120 days after Owner submits to the City all documents required by Chapter 372 of the Texas Local Government Code or otherwise necessary for the City to issue such subsequent PID Bond Series (or longer if extended by Owner in writing); (ii) sell PID Bonds in an amount sufficient to pay for the phased construction of the remaining Public Improvements, as determined by Owner; and (iii) promptly place in escrow the net proceeds from the sale of the series, which proceeds shall be disbursed to Owner based on reasonable draw criteria as the improvements are constructed.

(c) If the City fails to issue a PID Bond Series within the timeframes set forth in this article or fails to sell PID Bonds in the amounts required by this article, the District may issue bonds to reimburse Owner for the construction of improvements that would have otherwise been financed by PID Bonds.

(d) The Parties may extend any of the time periods in this Section 9.2 by amending this Agreement in accordance with Section 17.10 or by entering into a separate written agreement signed by both Parties.

[2] The Municipal Service Fee Installment may be reduced as provided for in Section 6.1 of this Agreement.

ARTICLE X
PAYMENT OF PUBLIC IMPROVEMENTS

The City shall establish a Construction Fund under the indenture (the "Bond Indenture") for each PID Bond Series. Funds in the Construction Fund shall be dedicated solely to the payment of the costs of Public Improvements in accordance with this Agreement, the Bond Indenture, and the PID Act. The Construction Fund shall be administered and controlled (including signatory authority) by the City, and funds in the Construction Fund shall be deposited and disbursed in accordance with the terms of the Bond Indenture. In the event of a conflict between this Agreement and the Bond Indenture, this Agreement shall control. If the total cost of the Public Improvements exceeds the total amount of monies on deposit in the Construction Fund for such improvements, Owner shall be solely responsible for the excess and may seek District reimbursement for such excess costs. If funds remain in the Construction Fund after the completion of the Public Improvements and the payment of all costs of the Public Improvements, then such funds shall be used as provided in the Bond Indenture.

ARTICLE XI
CONSENT TO DISTRICT CREATION

11.1 Consent. This Agreement constitutes the consent of the City to the creation of the District. The City further consents to expansions, from time to time, of the authority of the District to include any powers that are authorized by the Texas Constitution or by the laws of the State of Texas, as amended. The City further consents to divisions and expansions of the District and to boundary adjustments of the District in the form of exclusions and additions of land, provided that all expansions shall require the City's prior written consent.

11.2 Consent Ordinances; Other Documents. The City agrees to adopt such further ordinances or resolutions and execute such further documents as may reasonably be requested by Owner, the TCEQ, or the AG to evidence the City's consents as set forth in this Agreement and in the Consent Resolution.

11.3 Full Satisfaction. The consents contained in this article and in the Consent Resolution (the "District Consents") are given by the City: (a) in full satisfaction of any requirements for district consents contained in any statute or otherwise required by law, rule, regulation, or policy including, but not limited to, consents required by the Texas Water Code, as amended, the Texas Local Government Code, as amended, or by any rules, regulations, or policies of the TCEQ or Texas AG; (b) with the understanding and warranty that the District Consents are irrevocable and cannot be withdrawn or modified in any way by the City or by any action of the City Council without the prior written approval of Owner; and (c) with the understanding that Owner has relied on the District Consents to Owner's material detriment and, but for the District Consents, Owner would not have entered into this Agreement. If the City breaches its representations and warranties under this Section 11.3, then Owner and all future owners of the Property are relieved from all of the requirements in this Development Regulations related to density, lot size, setbacks, house size, open space, and improvements to League Road.

11.4 Limitation on Bond Issuance. The District shall not issue bonds except as provided by Section 9.2(c) of this Agreement.

ARTICLE XII
CONSTRUCTION PROPERTY SALES TAX

Owner shall use reasonable efforts to cause the purchase of Construction Property to be situated in the City for sales tax purposes. "Construction Property" means any materials and/or taxable services purchased by Owner or a designee for construction of improvements on the Development Property.

ARTICLE XIII
TERM OF AGREEMENT

The term of this Agreement shall be 15 years after the Effective Date (the "Term"), unless extended or shortened by mutual written agreement.

ARTICLE XIV
EVENTS OF DEFAULT; REMEDIES

14.1 Events of Default. No Party shall be in default under this Agreement until notice of the alleged failure of such Party to perform has been given (which notice shall set forth in reasonable detail the nature of the alleged failure) and until such Party has been given a reasonable time to cure the alleged failure (such reasonable time determined based on the nature of the alleged failure, but in no event less than 30 days after written notice of the alleged failure has been given). In addition, no Party shall be in default under this Agreement if, within the applicable cure period, the Party to whom the notice was given begins performance and thereafter diligently and continuously pursues performance until the alleged failure has been cured. Notwithstanding the foregoing, however, a Party shall be in default of its obligation to make any payment required under this Agreement if such payment is not made within five business days after it is due.

14.2 Remedies. If a Party is in default, the aggrieved Party may, at its option and without prejudice to any other right or remedy under this Agreement, seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance, mandamus, and injunctive relief. Notwithstanding the foregoing, however, no default under this Agreement shall:

(a) entitle the aggrieved Party to terminate this Agreement; or

(b) entitle the aggrieved Party to suspend performance under this Agreement unless the portion of the Development Property for which performance is suspended is the subject of the default (for example, the City shall not be entitled to suspend its performance with regard to the development of "Tract X" by "Developer A" based on the grounds that Developer A is in default with respect to any other tract or based on the grounds that any other developer is in default with respect to any other tract); or

(c) adversely affect or impair the current or future obligations of the City to provide water or wastewater service (whether wholesale or retail) or any other service to any developed portion of the Development Property, or to any undeveloped portion of the

Development Property unless the undeveloped portion of the Development Property is the subject of the default; or

(d) entitle the aggrieved Party to seek or recover monetary damages of any kind; or

(e) adversely affect or impair the effectiveness or validity of any consents given by the City in this Agreement or in the Consent Resolution; or

(f) adversely affect or impair the current or future rights, powers or authority of the District (including, but not limited to, the issuance of bonds) or the day-to-day administration of the District; or

(g) limit the Term of this Agreement.

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

(a) The City waives its governmental immunity from suit as to any action brought by a Party (or by the District) 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 City has with respect to suits against the City by persons or entities other than the District or a Party to this Agreement nor shall this Article or Agreement be construed to waive any immunities, whether governmental, sovereign, legislative, official, qualified or otherwise, except as clearly set forth in this section.

(b) Nothing in this Agreement is intended to delegate or impair the performance by the City of its governmental functions.

ARTICLE XV
ASSIGNMENT AND ENCUMBRANCE

15.1 Assignment by Owner to the District. Owner has the right to assign to the District those portions of this Agreement concerning the provision of water and/or wastewater service to the Development Property and the design, construction, installation, ownership, maintenance, and repair of any Public Infrastructure. Thereafter, for the limited purposes of such assignment, the District shall be considered an "Assignee," and therefore a Party, for purposes of this Agreement. Each assignment shall be in writing executed by Owner and the District and shall obligate the District to be bound by this Agreement to the extent this Agreement applies or relates to the obligations, rights, title, or interests being assigned. A copy of each assignment shall be provided to all Parties within 15 days after execution. From and after such assignment, the City agrees to look solely to the District for the performance of all obligations assigned to the District and agrees that Owner shall be released from subsequently performing the assigned obligations and from any liability that results from the District's failure to perform the assigned obligations; provided, however, if a copy of the assignment is not given to the City within 15 days after execution, Owner shall not be released until the City receives the assignment. No

assignment by Owner shall release Owner from any liability resulting from an act or omission by Owner that occurred prior to the effective date of the assignment unless the City approves the release in writing. Owner shall maintain written records of all assignments made by Owner to the District, including a copy of each executed assignment, and, upon written request from any Party or Assignee, shall provide a copy of such records to the requesting person or entity.

15.2 Assignment by Owner to Successor Owners. Owner has the right (from time to time without the consent of the City, but upon written notice to the City) to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to any person or entity (an "Assignee") that is or will become an owner of any portion of the Development Property or that is an entity that is controlled by or under common control with Owner. Each assignment shall be in writing executed by Owner and the Assignee and shall obligate the Assignee to be bound by this Agreement to the extent this Agreement applies or relates to the obligations, rights, title, or interests being assigned. A copy of each assignment shall be provided to all Parties within 15 days after execution. From and after such assignment, the City agrees to look solely to the Assignee for the performance of all obligations assigned to the Assignee and agrees that Owner shall be released from subsequently performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations; provided, however, if a copy of the assignment is not received by the City within 15 days after execution, Owner shall not be released until the City receives such assignment. No assignment by Owner shall release Owner from any liability that resulted from an act or omission by Owner that occurred prior to the effective date of the assignment unless the City approves the release in writing. Owner shall maintain written records of all assignments made by Owner to Assignees, including a copy of each executed assignment and the Assignee's Notice information as required by this Agreement, and, upon written request from any Party or Assignee, shall provide a copy of such records to the requesting person or entity.

15.3 Assignment by the City. The City shall not assign this Agreement.

15.4 Encumbrance by Owner and Assignees. Owner and Assignees have the right, from time to time, to collaterally assign, pledge, grant a lien or security interest in, or otherwise encumber any of their respective rights, title, or interest under this Agreement for the benefit of their respective lenders without the consent of, but with prompt written notice to, the City, provided that no such assignment, pledge, grant or encumbrance shall adversely affect the interests and rights of holders of any of the PID Bonds, or the lien and pledge of PID assessments or other funds, if any, pledged to the payment of PID Bonds, or the City's right to levy and collect PID assessments and use such PID assessments for the purposes for which such PID assessments were authorized and levied. The collateral assignment, pledge, grant of lien or security interest, or other encumbrance shall not, however, obligate any lender to perform any obligations or incur any liability under this Agreement unless the lender agrees in writing to perform such obligations or incur such liability. Provided the City has been given a copy of the documents creating the lender's interest, including Notice (hereinafter defined) information for the lender, then that lender shall have the right, but not the obligation, to cure any default under this Agreement and shall be given a reasonable time to do so in addition to the cure periods otherwise provided to the defaulting Party by this Agreement; and the City agrees to accept a cure offered by the lender as if offered by the defaulting Party. A lender is not a Party to this

Agreement unless this Agreement is amended, with the consent of the lender, to add the lender as a Party. Notwithstanding the foregoing, however, this Agreement shall continue to bind the Development Property and shall survive any transfer, conveyance, or assignment occasioned by the exercise of foreclosure or other rights by a lender, whether judicial or non-judicial. Any purchaser from or successor owner through a lender of any portion of the Development Property shall be bound by this Agreement and shall not be entitled to the rights and benefits of this Agreement with respect to the acquired portion of the Development Property until all defaults under this Agreement with respect to the acquired portion of the Development Property have been cured.

15.5 Encumbrance by City. The City shall not collaterally assign, pledge, grant a lien or security interest in, or otherwise encumber any of its rights, title, or interest under this Agreement without Owner's prior written consent.

15.6 Assignees as Parties. An Assignee shall be considered a "Party" for the purposes of this Agreement.

ARTICLE XVI
RECORDATION, RELEASES, AND ESTOPPEL CERTIFICATES

16.1 Binding Obligations. Pursuant to the requirements of Section 212.172(c)(4) of the Texas Local Government Code, this Agreement and all amendments hereto (including amendments to the Concept Plan) shall be recorded in the deed records of Rockwall County. In addition, all assignments to this Agreement shall be recorded in the deed records of Rockwall County. This Agreement, when recorded, shall be binding upon the Parties and their successors and assigns permitted by this Agreement and upon the Development Property; however, this Agreement shall not be binding upon, and shall not constitute any encumbrance to title as to, any End-Buyer except for land use and development regulations that apply to specific lots.

16.2 Estoppel Certificates. From time to time upon written request of Owner or the District, the City Administrator shall execute a written estoppel certificate identifying any obligations of the Parties under this Agreement that are in default or, with the giving of notice or passage of time, would be in default; and stating, to the extent true, that to the best knowledge and belief of the City, the Parties are in compliance with their duties and obligations under this Agreement.

ARTICLE XVII
ADDITIONAL PROVISIONS

17.1 Recitals. The recitals contained in this Agreement: (a) are true and correct as of the Effective Date; (b) form the basis upon which the Parties negotiated and entered into this Agreement; (c) are legislative findings of the City Council, and (d) reflect the final intent of the Parties with regard to the subject matter of this Agreement. In the event it becomes necessary to interpret any provision of this Agreement, the intent of the Parties, as evidenced by the recitals,

shall be taken into consideration and, to the maximum extent possible, given full effect. The Parties have relied upon the recitals as part of the consideration for entering into this Agreement and, but for the intent of the Parties reflected by the recitals, would not have entered into this Agreement.

17.2 Notice of PID. Owner agrees to provide to all purchasers of land within the PID all notices required by law and in a form approved by the City (which approval shall not be unreasonably conditioned or withheld).

17.3 Notices. All notices required or contemplated by this Agreement (or otherwise given in connection with this Agreement) (a "Notice") shall be in writing, shall be signed by or on behalf of the Party giving the Notice, and shall be effective as follows: (a) on or after the 10th business day after being deposited with the United States mail service, Certified Mail, Return Receipt Requested; (b) on the day delivered by a private delivery or private messenger service (such as FedEx or UPS) as evidenced by a receipt signed by any person at the delivery address (whether or not such person is the person to whom the Notice is addressed); or (c) otherwise on the day actually received by the person to whom the Notice is addressed, including, but not limited to, delivery in person and delivery by regular mail or by E-mail. Notices given pursuant to this section shall be addressed as follows:

To the City:	Attn: City Administrator City of McLendon-Chisholm, Texas 1248 S. Hwy 205 Rockwall, TX 75087 E-mail: citymcsec@birch.net
With a copy to:	David M. Berman, City Attorney Nichols, Jackson, Dillard, Hager & Smith, L.L.P. 1800 Lincoln Plaza 500 North Akard Dallas, TX 75201 E-mail: dberman@njdhs.com
To Owner:	Attn: Russell Phillips 2 Horizon Court Heath, TX 75032 E-mail: russell@sterlingone.us
With a copy to:	Attn: Misty Ventura Hughes & Luce, LLP 1717 Main Street, Suite 2800 Dallas, TX 75201 E-mail: misty.ventura@hughesluce.com

17.4 Reservation of Vested Rights. This Agreement constitutes a "permit" within the meaning of Chapter 245, Texas Local Government Code, as amended. Owner does not, by entering into this Agreement, waive (and Owner expressly reserves) any right that Owner may

now or hereafter have with respect to any claim of "vested" or "protected" development or other property rights arising from Chapters 43 or 245, Texas Local Government Code, as amended, or otherwise arising from common law or other state or federal law.

17.5 Manufactured Housing. Notwithstanding any other provision of this Agreement to the contrary, HUD Code manufactured homes may be located within the Property, from time to time, if necessary for the creation or administration of the District (including, but not limited to, providing qualified voters within the District or qualifying persons to serve on the Board of Directors of the District). Owner will notify the City of the location of, make and model of, HUD number for, and 911 address of each home within 30 days after the home is occupied. Manufactured homes permitted by this Agreement: (a) are not required to be located on a platted lot; (b) do not require a building permit; (c) do not require a certificate of substantial completion; (d) do not otherwise have to comply with the Governing Regulations; (e) do not require any permit or other approval by the City; and (f) will be promptly removed when no longer needed for the creation or administration of the District. Manufactured homes permitted by this Agreement shall, however, be subject to all permits or approvals (excluding subdivision and platting approvals) otherwise required by Rockwall County; and the City shall cooperate in good faith to assist Owner in obtaining such permits and approvals and in obtaining water, wastewater, and utility service for such homes. No manufactured housing shall be sold for any other purpose than for what is necessary for the creation or administration of the District. Residential subdivisions shall not be designed for manufactured housing uses.

17.6 Director 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 of the District shall not be considered a subdivision of land requiring a plat or otherwise requiring the approval of the City; provided, however, no Structure, other than manufactured housing authorized by Section 17.5 shall be constructed on any property conveyed for such purpose unless and until a plat of such portion has been approved by the City in accordance with this Agreement.

17.7 Water Wells. Water wells may be drilled within the Development Property for the purpose of providing irrigation water. If RCH (or the City, if it becomes the retail water provider) is unable or unwilling to provide water service to the Development Property in a timely manner for the first phase of its development in accordance with the Texas Water Code and other applicable requirements, Owner may drill water wells to provide potable water to the Development Property and/or may seek such other sources as are available. All water wells shall be drilled in compliance with all applicable rules and regulations of the TCEQ, and use of all water wells providing potable water shall be terminated immediately upon commencement of the provision of potable water service by the retail water provider.

17.8 Interpretation. The Parties acknowledge that each of them has been actively involved in negotiating this Agreement. Accordingly, the rule of construction that any ambiguities are to be resolved against the drafting Party will not apply to interpreting this Agreement. In the event of any dispute over the meaning or application of any provision of this Agreement, the provision will be interpreted fairly and reasonably and neither more strongly for or against any Party, regardless of which Party originally drafted the provision.

17.9 Authority and Enforceability. The City represents and warrants that this Agreement has been duly adopted by official action of the City Council in accordance with all applicable 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 City has been duly authorized to do so. Owner represents and warrants that this Agreement has been approved by appropriate action of Owner, that the individual executing this Agreement on behalf of Owner has been duly authorized to do so.

17.10 Entire Agreement; Severability. This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements, whether oral or written, covering the subject matter of this Agreement. 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 of competent jurisdiction to be unenforceable for any reason, then (a) such unenforceable provision shall be deleted from this Agreement; (b) the unenforceable provision shall, to the extent possible, be rewritten to be enforceable and to give effect to the intent of the Parties; and (c) 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. Without limiting the generality of the foregoing, (a) if it is determined that, as of the Effective Date, Owner does not own any portion of the Property, this Agreement shall remain in full force and effect with respect to all of the Property that Owner does then own, and (b) if it is determined, on or after the Effective Date, that any portion of the Property is not within the City's ETJ, this Agreement shall remain in full force and effect with respect to all of the Property that is then within the City's ETJ.

17.11 Open Space and Common Areas. One or more property owners associations or the District, at the Owner's option, shall operate and maintain all open space and common areas in the Development Property. To the extent a property owners association has maintenance responsibilities, Owner shall provide the City with a copy of the documents creating the association at the time Owner submits a final plat application that includes property governed by the association so that the City may confirm that the association will be responsible for maintenance. The PID may also be used to maintain open space and common areas to the extent permitted by law.

17.12 Applicable Law; Venue. This Agreement is entered into under and pursuant to, and is to be construed and enforceable in accordance with, the laws of the State of Texas, and all obligations of the Parties are performable in Rockwall County. Venue for any action to enforce or construe this Agreement shall be in the state courts of appropriate jurisdiction of Rockwall County.

17.13 Non Waiver. Any failure by a Party to insist upon strict performance by another Party of any material provision of this Agreement shall not be deemed a waiver thereof, and the Party shall have the right at any time thereafter to insist upon strict performance of any and all provisions of this Agreement. No provision of this Agreement may be waived except by writing signed by the Party waiving such provision. Any waiver shall be limited to the specific purposes for which it is given. No waiver by any Party of any term or condition of this Agreement shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

17.14 No Third Party Beneficiaries. Except as otherwise provided in this section, this Agreement only inures to the benefit of, and may only be enforced by, the Parties. If the District is not an Assignee, the District shall be considered a third-party beneficiary of this Agreement. An End-Buyer shall be considered a third-party beneficiary of this Agreement, but only for the limited purposes for which an End-Buyer is bound by this Agreement. 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.

17.15 Force Majeure. Each Party shall use good faith, due diligence and reasonable care in the performance of its respective obligations under this Agreement, and time shall be of the essence in such performance; however, 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 three business days after the occurrence of a force majeure, the Party claiming the right to temporarily suspend its performance, shall give Notice to all the Parties, including a 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 exercise of good faith, due diligence and reasonable care.

17.16 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

17.17 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.

17.18 Conflicts. In the event of any conflict between this Agreement and any other ordinance, rule, regulation, standard, policy, order, guideline, or other City-adopted or City-enforced requirement, whether existing on the Effective Date or hereafter adopted, this Agreement shall control.

17.19 Exhibits. The following Exhibits are attached to this Agreement and are incorporated herein for all purposes:

Exhibit A	Metes and Bounds Description of the Property
Exhibit B	Depiction of the Property
Exhibit C	Metes and Bounds Description of the In-City Property
Exhibit D	Depiction of the In-City Property
Exhibit E	Special Regulations
Exhibit F	Development Regulations

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Executed by Owner and the City to be effective on the Effective Date.

Date: July 9th, 2007

CITY OF McLENDON-CHISHOLM, TEXAS

Mike Donegan, Mayor

ATTEST:

CITY SECRETARY

APPROVED AS TO FORM:

CITY ATTORNEY

STATE OF TEXAS §
§
COUNTY OF ROCKWALL §

This instrument was acknowledged before me on the 9th day of July, 2007 by Mike Donegan, Mayor of the City of McLendon-Chisholm, Texas, on behalf of said city.

Notary Public, State of Texas

MISTY M. VENTURA
Notary Public
State of Texas
My Comm. Expires 07-10-2010

CHISHOLM PROPERTIES, L.P.,
a Texas limited partnership

By: Sterling One Properties, LLC,
a Texas limited liability company,
its General Partner

By: Russell Phillips
Name: Russell Phillips
Title: Manager

ACKNOWLEDGMENT

THE STATE OF TEXAS §
§
COUNTY OF Rockwall §

This instrument was acknowledged before me on the 9th day of July, 2007 by Russell Phillips, Manager of Sterling One Properties, LLC, the General Partner of Chisholm Properties, L.P., on behalf of said partnership.

Misty Ventura
Notary Name
Notary Public in and for
the State of Texas

My Commission Expires:

NOTARY PUBLIC STATE OF TEXAS
MISTY M. VENTURA
Notary Public
State of Texas
My Comm. Expires 07-10-2010

EXHIBIT A

Metes and Bounds Description of the Property

All that certain lot, tract or parcel of land situated in the KING LATHAM SURVEY, ABSTRACT NO. 133, Rockwall County, Texas, and being a part of the First tract called 515 acres as described in a Warranty deed from C.D. Edwards and Lillian Edwards to W.A. Edwards, dated January 7, 1937 and being recorded in Volume 33, Page 280 of the Deed Records of Rockwall County, Texas, and conveyed in a Special Warranty deed from Estate of Arch Hampton Edwards to Isabell Edwards and Isabell Edwards Trust, dated July 20, 1983 and being recorded in Volume 406, Page 126 of the Real Property Records of Rockwall County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner in the center of Edwards Road and in the Northeast line of said Edwards tract, said point being S. 44 deg. 59 min. 36 sec. E., 400.01 feet from a 1/2" iron rod found at the North corner of said Edwards tract and the North corner of said Latham Survey;

THENCE S. 44 deg. 59 min. 36 sec. E. along Edwards Road, a distance of 5280.81 feet to a 1/2" iron rod found for corner at the intersection of the center of Edwards Road and the center of Wallace Road, at the East corner of said Edwards tract;

THENCE S. 45 deg. 00 min. 00 sec. W. (Controlling bearing line) along the center of Wallace Road, a distance of 2508.65 feet to a point in the Northeast line of the City Limits of the City of McLendon-Chisholm;

THENCE along the City limits of the City of McLendon-Chisholm as follows:

N. 45 deg. 00 min. 49 sec. W. a distance of 4997.65 feet;
N. 45 deg. 09 min. 23 sec. E. a distance of 1500.00 feet;
N. 44 deg. 30 min. 50 sec. W. a distance of 295.82 feet;
N. 45 deg. 29 min. 10 sec. E. a distance of 1008.00 feet to the POINT OF BEGINNING and containing 294.51 acres of land.

EXHIBIT B

Depiction of the Property

EXHIBIT C

Metes and Bounds Description of the In-City Property

All that certain lot, tract or parcel of land situated in the KING LATHAM SURVEY, ABSTRACT NO. 133, City of McLendon-Chisholm, Rockwall County, Texas, and being a part of the First tract called 515 acres as described in a Warranty deed from C.D. Edwards and Lillian Edwards to W.A. Edwards, dated January 7, 1937 and being recorded in Volume 33, Page 280 of the Deed Records of Rockwall County, Texas, and conveyed in a Special Warranty deed from Estate of Arch Hampton Edwards to Isabell Edwards and Isabell Edwards Trust, dated July 20, 1983 and being recorded in Volume 406, Page 126 of the Real Property Records of Rockwall County, Texas, and being all of a 25.02 acres tract of land as described in a Warranty deed from Anna Jane Shook Webb to Anthony Piazza and Theresa A. Piazza, dated July 26, 1999 and being recorded in Volume 1679, Page 217 of the Real Property Records of Rockwall County, Texas, and being more particularly described as follows:

BEGINNING at a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner in the center of Edwards Road and in the Northeast line of said Edwards tract, said point being S. 44 deg. 59 min. 36 sec. E., 310.00 feet from a 1/2" iron rod found at the North corner of said Edwards tract and the North corner of said Latham Survey;

THENCE S. 44 deg. 59 min. 36 sec. E. along Edwards Road, a distance of 90.01 feet to a point in the Northwest City limits of the City of McLendon-Chisholm;

THENCE S. 45 deg. 29 min. 10 sec. W. along said City limits, a distance of 1008.00 feet;

THENCE N. 45 deg. 29 min. 10 sec. W. along said City limits, a distance of 295.82 feet;

THENCE S 45 deg. 09 min. 23 sec. W. along said City limits, a distance of 1500.00 feet;

THENCE S. 45 deg. 00 min. 49 sec. E. along said City limits, a distance of 4997.65 feet to a point in the Southeast line of said 515 acres tract and being in the center of Wallace Road;

THENCE S. 45 deg. 00 min. 00 sec. W. (Controlling bearing line) along the center of said road, a distance of 1500.00 feet to a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner at a turn in said road, said point being the South corner of said Edwards tract and being in the Northeast line of a 15' road dedication by plat of FRONTIER MEADOWS, an Addition to McLendon-Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet B, Slide 94 of the Plat Records of Rockwall County, Texas;

THENCE N. 45 deg. 10 min. 28 sec. W. along said Addition and 15 foot dedication line, a distance of 2405.38 feet to a 1/2" iron rod found for corner;

THENCE N. 45 deg. 21 min. 31 sec. W. along said Addition and 15 foot dedication line and along the Northeast line of Lot 25, a distance of 653.30 feet to a 1/2" iron rod found for corner at the North corner of Lot 25 and being at the East corner of a 25 acres tract of land as described in

a Deed to Anthony Piazza, as recorded in Volume 1679, Page 217 of the Real Property Records of Rockwall County, Texas;

THENCE S. 44 deg. 39 min. 13 sec. W. along the Southeast line of said Piazza tract and the Northwest line of Frontier Meadows Addition, a distance of 2603.50 feet to a 1/2" iron rod found for corner at the South corner of said 25.02 acres tract and being in the Northeast right-of-way line of State Highway 205;

THENCE N. 44 deg. 39 min. 57 sec. W. along said right-of-way line, a distance of 419.42 feet to a 1/2" iron rod found for corner at the West corner of said Piazza 25.02 acres tract and the South corner of Lot 1, BOMAR ADDITION, an Addition to the City of McLendon-Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet B, Slide 104 of the Plat Records of Rockwall County, Texas;

THENCE N. 44 deg. 40 min. 20 sec. E., along the Southeast line of said BOMAR ADDITION, a distance of 2599.53 feet to a 1/2" iron rod found for corner at the East corner of Lot 4, BOMAR ADDITION;

THENCE N. 45 deg. 13 min. 34 sec. W. a distance of 836.82 feet to a 3/8" iron rod found for corner at the East corner of Lot 4, MEADOWCREEK ADDITION, an Addition to the City of McLendon-Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet B, Slide 74 of the Plat Records of Rockwall County, Texas;

THENCE N. 45 deg. 08 min. 44 sec. W. along the Northeast line of said Addition, a distance of 1387.78 feet to a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner in the Southeast line of GREENHOLLOW RANCH, an Addition to the City of McLendon-Chisholm, Rockwall County, Texas, according to the Plat thereof recorded in Cabinet E, Slide 213 of the Plat Records of Rockwall County, Texas;

THENCE N. 45 deg. 09 min. 23 sec. E. along the Southeast line of said Addition, a distance of 2296.02 feet to a 1" iron pipe found for corner at the East corner of Lot 7 of said Addition;

THENCE N. 45 deg. 29 min. 10 sec. E. a distance of 1381.83 feet to a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner;

THENCE S. 44 deg. 59 min. 36 sec. E. a distance of 310.00 feet to a 1/2" iron rod with yellow plastic cap stamped "R.S.C.I. RPLS 5034" set for corner;

THENCE N. 45 deg. 29 min. 10 sec. E. a distance of 351.30 feet to the POINT OF BEGINNING and containing 253.38 acres of land.

EXHIBIT D

Depiction of the In-City Property

EXHIBIT E

Special Regulations

(1) **Conflict and Applicability of Other Ordinances.** In the event of a conflict between these Special Regulations and the Subdivision Regulations and notwithstanding any provision to the contrary in the Subdivision Regulations, these Special Regulations shall control. In the event of a conflict between TCEQ standards for the construction of infrastructure and either the Subdivision Regulations or Special Regulations, the TCEQ standards shall control for any Public Infrastructure constructed by the District. Terms used in these Special Regulations shall have the same meaning as defined terms in the Subdivision Regulations. The only ordinances that apply to the subdivision and platting of the Property are the Subdivision Regulations (including Appendix 1 thereto), as modified by these Special Regulations, and the City's Engineering and Construction Standards adopted by the City on January 10, 2005 (the "Construction Specifications").

(2) **Applicability of Master Plan and Zoning Ordinance.** Noncompliance with the City's Master Plan, Thoroughfare Plan, Major Street Plan, Water Master Plan, Wastewater Master Plan, or Subdivision Regulations, in effect on May 11, 2007 and as amended by these Special Regulations, can be a reason for the denial of any application for a preliminary plan, final plat, or construction plans. The foregoing documents shall be deemed to be amended to include the Development Regulations and the Concept Plan (as defined below) upon the City's satisfaction of the Conditions Precedent. Any amendment to the Development Regulations or the Concept Plan shall also be deemed to amend such documents. The Waste Water Master Plan shall be deemed to incorporate the plan for the Wastewater Line, as determined pursuant to this Agreement. Any ordinances, plans, or policies adopted by the City after May 11, 2007 shall not apply.

(3) **Procedure.**

(a) An application for a preliminary plan, final plat, or construction plans shall be approved if the application meets this Agreement and all of the applicable requirements of the Subdivision Regulations and the Construction Specifications, as modified by this Agreement (including these Special Regulations).

(b) The City Engineer shall review construction plans and issue a notice to proceed with construction within 30 days of the City's receipt of an application if the construction plans comply with this Agreement and the applicable requirements of the Subdivision Regulations and the Construction Specifications, as modified by this Agreement (including these Special Regulations). If the construction plans do not comply with the applicable requirements, the City Engineer shall return the plans with all comments for corrections within 30 days of the City's receipt of an application.

(c) If the City finds that an application for a preliminary plan, final plat, or construction plans is incomplete, the City shall provide written notice to the applicant within 10 business days after the filing of the application. Such notice shall describe in reasonable detail the reasons why the application is incomplete.

(4) **Preliminary Plan.**

(a) A preliminary plan may include all or a portion of the Property.

(b) If side lot lines are not parallel, the preliminary plan is not required to show the approximate distance between them at the building line and is not required to provide the narrowest point.

(c) A preliminary plan is not required to show street grades.

(d) A preliminary title may be provided on all preliminary plans, and the title may be revised on the final plat.

(5) **Final Plat.**

(a) A final plat must show all existing and proposed utilities and drainage easements.

(b) A final plat may include all or a portion of the property shown on an approved preliminary plan. A final plat must include a table summarizing the number of residential units and amount of open space platted within the Property.

(c) A final plat must generally comply with the approved preliminary plan.

(d) Final Plats may vary from the preliminary plan in the location of lot lines, roads, and open space, and may vary up to 10% of the number of residential lots in the final plat, as long as such variance complies with the Governing Regulations, without requiring re-approval of the preliminary plan.

(e) Final plats are not required to be drawn in India ink or comparable ink on tracing cloth or plastic tracing sheets.

(f) Final plats are not required to show topographical information with contour lines at one-foot intervals.

(g) Final plats are not required to show reserved school, church, or park sites except as otherwise required by this Agreement.

(h) Final plats are not required to include a waiver of a claim for damages against the City occasioned by the establishment of grades or the alteration of the surface of any portion of existing streets and alleys to conform to the grades established in the subdivision.

(i) An approved final plat may be filed for record with the county clerk's office once the subdivider has (1) submitted a complete set of construction plans to the City Engineer, which is subject to the confirmation of the City Engineer in accordance with Section 5(c) of these Special Regulations; and (2) completed construction or provided the City Engineer with adequate assurances that the Public Infrastructure shown on the construction plans will be built, which assurances may be in the form of a performance bond. Within ten days after the occurrence of both of those conditions precedent to recording, the subdivider shall deliver a cashier's check or

certified check to the City Secretary sufficient to cover all recording fees, and the City Secretary shall file the approved final plat with the appropriate county clerk's office.

(j) If a project is to be developed in phases, a preliminary grading and drainage plan for an entire project shall be submitted concurrently with the construction plans for the phase under development.

(6) **Phasing.** Development of the Property may occur in phases. The developer shall submit a phasing plan to the City with the application for the first preliminary plan for informational purposes only. The phasing plan shall include the entire Property and shall indicate the developer's desired phasing of the development. If the developer deviates from a submitted phasing plan, the developer shall submit a new phasing plan to the City showing the phased development of the remaining undeveloped portions of the Property.

(7) **Streets.**

(a) Residential streets shall have a minimum right-of-way width of 50 feet. Residential street improvements shall include paving, curb, gutter and attached or detached sidewalks on both sides of the rights-of-way, except as otherwise approved by the City Engineer. On residential streets, paving shall be a minimum of 31 feet in width back of curb to back of curb. The minimum centerline radius for a residential street is 150 feet. Street crown height shall be a minimum of five inches.

(b) Collector streets shall be divided or non-divided (no median), at the developer's option, and shall have a minimum right-of-way width of 60 feet. On collector streets, paving shall be a minimum of 37 feet in width back of curb to back of curb. The minimum centerline radius for a collector street is 300 feet.

(c) Major thoroughfares (other than State highways) shall have a minimum right-of-way width of 90 feet. State highways shall have a minimum right-of-way width of 120 feet. The minimum centerline radius for a major thoroughfare is 600 feet. On major thoroughfares, the pavement width shall be a minimum of 25 feet with curbs for one side of the thoroughfare. The pavement shall have a cross-slope of ¼ inch per foot, unless field conditions dictate otherwise. The developer shall be responsible for constructing one half of the pavement of a major thoroughfare where it abuts the perimeter of the Property.

(d) Alleys are permitted. Section 6.04 of the Subdivision Regulations does not apply, except that dead end alleys are prohibited.

(e) Streets may be curvilinear in design and may include cul-de-sacs. Cul-de-sacs shall not exceed 500 feet in length, except that cul-de-sacs may be up to 800 feet in length if adequate fire protection can be provided to all of the lots in the cul-de-sac.

(f) Section 6.01(1) of the Subdivision Regulations does not apply.

(g) Vertical curves shall be provided for all grade changes greater than two percent.

(h) Turnarounds are to have a minimum right-of-way radius of 50 feet and a pavement radius of 40 feet.

(i) Where the angle of an intersection varies by more than ten degrees on minor streets or five degrees on major or secondary streets, those variations must be reviewed and approved by the City Engineer.

(j) All streets and alleys will be owned and maintained by the District to the full extent authorized by the law until the Property is annexed for full purposes, at which time the City shall accept and maintain all streets (other than private, gated streets) and alleys. To the extent the District is unwilling or unable to own and maintain streets and alleys prior to annexation of the Property, such improvements shall be dedicated to the county in which they are located and shall be maintained by a property owners association, a PID, or the District until the Property is annexed for full purposes. Notwithstanding the foregoing, gated streets are permitted in the Development Property (and shall be identified in the applicable preliminary plan), but they shall be privately owned and maintained by a property owners association, the PID, or the District.

(k) In no event shall the City require a subdivider or developer to pay more than 100% of the cost of roadway improvements pursuant to Section 2 of Appendix 1 of the Subdivision Regulations. Nothing herein is intended to waive Owner's rights pursuant to Section 212.904 of the Texas Local Government Code.

(l) The City, at its sole cost, may require greater wattages for street lighting than are required by Appendix 1 of the Subdivision Regulations. Maintenance and operation costs shall be the responsibility of the District, the PID, or a property owners association, except that the City shall pay for the cost of maintenance and operation for street lighting located in the right-of-way if the City has accepted dedication of the streets.

(m) The maximum block length is 2,000 feet. The minimum block length is 200 feet.

(n) All streets must have a minimum longitudinal grade of at least 0.50 of one percent. Centerline grade changes with an algebraic difference of more than one percent shall be connected with vertical curves in compliance with the minimum length requirements set forth in Table 8.1 of Appendix 1 to the Subdivision Regulations.

(o) Notwithstanding Section 8(a) of Appendix 1 to the Subdivision Regulations, street system requirements (including street layout requirements) in the City's Comprehensive Plan and Zoning Ordinance do not apply. The only such requirements are those expressly described in the Subdivision Regulations and the Construction Specifications, as amended by these Special Regulations.

(p) All streets shall have a sidewalk that is a minimum of four feet in width along each side of the street. A pedestrian circulation and street lighting plan shall be provided at the time of preliminary plan approval, and shall show the following:

(i) Points of pedestrian access to parks, open space, common areas, and other similar amenities;

(ii) Points of access across streets, which shall be marked with special paving consisting of stamped or colored concrete or decorative pavers; and

(iii) The approximate location and design of street lights, which shall be upgraded decorative lighting fixtures with a consistent theme and design throughout the Development Property.

(8) **Wastewater.**

(a) If constructed by the District, wastewater facilities will be designed and constructed according to the stricter of the Subdivision Regulations and TCEQ standards. A preliminary wastewater report shall be submitted to the City Engineer along with the first preliminary plan application for the site. A final wastewater report and construction plans are required prior to the approval of a final plat. The developer, or the District if applicable, shall construct or pay for the construction of all wastewater Public Infrastructure within the Property necessary to serve the full development of the Property.

(b) All wastewater Public Infrastructure (other than that on individual lots) will be owned and maintained by the City or the District in accordance with Article VII of this Agreement.

(c) Sanitary sewers may have a curved horizontal alignment.

(d) All sewer pipes shall be PVC pipe, SDR-15.

(9) **Water.**

(a) Water facilities will be designed and constructed according to NTMWD; however, if constructed by the District, water facilities will be designed and constructed according to the stricter of the Subdivision Regulations (as modified by these Special Regulations) and TCEQ standards.

(b) A preliminary water report shall be submitted to the City Engineer along with the first preliminary plan application for the site. A final water report and construction plans are required prior to the approval of a final plat.

(c) The developer, or the District if applicable, shall construct or pay for the construction of all water Public Infrastructure within the Property necessary to serve the full development of the Property.

(d) All water Public Infrastructure (other than infrastructure located on individual lots) will be owned and maintained by the current CCN holder, the City, or the District in accordance with Article VII of this Agreement.

(e) Water mains shall be constructed of PVC pipe.

(f) Section 10(d) of Appendix 1 to the Subdivision Regulations shall be revised to require fittings to be ductile iron.

(10) **Public Infrastructure Generally.** All Public Infrastructure within the Property shall be constructed by the developer or the District or its designee, except as otherwise provided by this Agreement. The City shall release the obligations of any financial assurance, including performance bonds but not maintenance bonds, when the Public Infrastructure has been inspected and approved in accordance with this Agreement.

(11) **Utility Easements.**

(a) Public utility easements located adjacent to streets or alleys, or within alleys, shall be a minimum of five feet in width. Utility easements that are not located adjacent to or within streets or alleys shall be a minimum of ten feet in width.

(b) Public utility easements may be located in the front or rear of each lot or in alleys at the subdivider's discretion. Public utilities may also be located within public rights-of-way.

(c) Where necessary, easements shall be retained for wires, conduits, storm sewers, wastewater lines, water lines, open drains, gas lines, or other utilities. Such easements may be required across parts of lots (including side lines) if the City Engineer determines the easements are needed.

(d) Section 6.05(4) of the Subdivision Regulations does not apply.

(12) **Traffic Impact Analysis and Transportation Improvements.**

(a) Prior to the approval of a preliminary plan, the City may require the submission of a traffic impact analysis ("TIA") to assess the impacts of a proposed development on the existing roadway system. The radius of the study will be determined by agreement between the developer's traffic engineer and the City's engineer.

(b) The City Council may condition preliminary plan approval on the future construction of phased on-site and perimeter transportation improvements that are shown by the TIA to be necessitated by and attributable to the proposed development shown on the preliminary plan. The City shall not require off-site roadway improvements except as may be required in the Development Regulations.

(c) The subdivider or developer will cause to be constructed the phased transportation improvements. City participation in the cost of perimeter roadways will be negotiated.

(13) **Grading and Drainage.**

(a) All floodplain areas designated as a Zone A on FEMA's most current flood insurance rate maps may be removed from the Property or redefined through the process of a conditional letter of map revision ("CLOMR") or a letter of map revision ("LOMR"). Non-residential permanent structures, amenities, trails, sports fields and park improvements may be placed within floodplain areas without requiring either a CLOMR or a LOMR.

(b) Section 9(1) of the Subdivision Regulations shall be modified such that, if calculations indicate that curb capacities are exceeded at a point, storm drains shall be designed to intercept a portion of the stormwater, and basins shall be used to intercept flow at that point.

(c) Subsections 9.2(d) and 9.2(e) of the Subdivision Regulations do not apply.

(d) Section 9(3)(a) through (d) of the Subdivision Regulations shall be replaced with the following language:

(i) The developer shall make allowances for off-site storm drainage flowing onto the developer's property, and shall discharge it downstream similar to existing outfall conditions.

(ii) On lots or tracts of three acres or more where stormwater runoff has been collected or concentrated, it shall not be permitted to be discharged except in a manner consistent with sound engineering practices.

(iii) The developer shall pay for the cost of all drainage improvements required for the development of the subdivision, including necessary off-site channels or storm sewers and acquisition of the required easements, unless the off-site drainage improvements are part of a regional drainage improvement area in which case the developer shall pay its proportionate share (based on capacity) of such regional improvements.

(e) Section 10 of the Subdivision Regulations does not apply. Drainage improvements and drainage easements shall be owned and maintained by the District or a property owners association. Upon full purpose annexation of the Property into the City's corporate limits, the City may, at its option, own and maintain all drainage Public Infrastructure.

(f) The minimum pipe size for storm sewers shall be eighteen inches.

(g) Manholes are not required to be provided at main storm sewer intersections. If the City's engineer determines that manholes are necessary, manholes shall be provided every 1,000 feet and placed at the nearest junction with an intersected storm sewer.

(h) Runoff coefficients shall be based on the character of the land use and imperviousness of the drainage area as determined by the Development Regulations (not the City's zoning map or Master Plan).

(i) Underground drainage systems shall be designed for a ten-year storm event, and open drainage systems shall be designed to carry the 100-year storm event.

(j) Existing drainage ways are not required to be improved and may be left in their natural state.

(k) The Parties acknowledge that an Army Corps of Engineers nationwide permit is in place on the Development Property. If disturbance thresholds meet the nationwide permit requirements, no additional permit will be required. An individual permit from the Army Corps

of Engineers will only be required by the City if disturbance thresholds for nationwide permits are exceeded. The developer's certified wetlands consultant shall have final authority on the determination of disturbance thresholds. The developer will follow the rules set by the Army Corps of Engineers commonly practiced in the geographical area.

(l) Drainage easements shall not be wider than necessary for normal maintenance to be performed.

(m) Floodplain may be raised more than one foot, subject to FEMA approval.

(n) Two feet of sediment storage is required only for wet detention ponds or retention ponds. If a dry detention pond is used, sediment storage is not required. Any sediments in a dry detention pond will be removed as part of normal maintenance.

(14) Maintenance Bond. Pursuant to Section 5.04 of the Subdivision Regulations, a subdivider shall provide the city (or the District, if applicable) with a two-year maintenance bond in the amount of 10% of the total cost of all Public Infrastructure that will be immediately dedicated to and accepted by the City (or the District, if applicable). If the subdivider provides a bond to the District (i) it shall be assignable to the City upon the City's acceptance of Public Infrastructure covered by the maintenance bond; and (ii) after expiration of the two year maintenance period, the Public Infrastructure shall be maintained by the District, unless and until the City accepts the Public Infrastructure.

(15) Lots. Sections 6.02(2), (3), (4), (7), and (8) of the Subdivision Regulations do not apply.

(16) Building Lines. Section 6.03 of the Subdivision Regulations does not apply.

(17) Reservations. Section 11 of the Subdivision Regulations does not apply.

(18) Fees.

(a) The City shall not charge any engineering or attorney's fees that are unreasonable or that exceed the City's actual costs. Upon presentation by the City of an invoice for engineering fees and attorney's fees incurred by the City in the plat review process, a subdivider shall have up to 30 days to pay the invoice or dispute it in writing. Subdividers shall pay the fees set forth in Section 5.03 of the Subdivision Regulations.

(b) The City shall not charge any planning, financial, or traffic specialist fees that are unreasonable or that are more than what the City charges for other development review work. Upon presentation by the City of an invoice for these development review fees incurred by the City in the development review process, the developer who has submitted a plan or permit application for review shall have up to 30 days to pay the invoice or dispute it in writing. A development review fee is reasonable if the fee is the average of the fees approved or charged for that same service by at least five (5) of the following cities: Cedar Hill, Coppell, Dallas, DeSoto, Duncanville, Farmers Branch, Forney, Glenn Heights, Grapevine, Irving, Kaufman, Lancaster, Lewisville, Mesquite, Richardson, Rockwall, Rowlett, Seagoville, Sunnyvale, and Terrell.

(19) **Utilities.** Existing overhead utilities may remain, and proposed utilities with three phase voltage may be located above ground.

(20) **Lot to Lot Grading.** Lot to lot grading is permitted so long as drainage easements for surface flow are provided.

(21) **Waivers.** At the request of the applicant, the City Council has the authority to waive or alter any requirement in the Subdivision Regulations or these Special Regulations with regard to a particular plat application without requiring an amendment to this Agreement.

(22) **Miscellaneous.** The following may occur after a final plat is recorded but before completion of construction:

(a) Construction and occupancy of model homes;

(b) Grading and clearing work; and

(c) Construction of fences, retaining walls, and monuments.

EXHIBIT F

Development Regulations

(1) **Conflict.** In the event of a conflict between the Development Regulations and either the Subdivision Regulations or the Special Regulations, the Development Regulations shall control. These development regulations shall contain the exclusive regulations pertaining to lot size, lot width, lot depth, setbacks, landscaping, buffers, and open space. In addition, these Development Regulations represent the exclusive zoning regulations applicable to the Development Property. When the Property is full purpose annexed into the City, the City Council shall consider amending the City's Zoning Ordinance to incorporate the Concept Plan and these Development Regulations as a planned development district. Notwithstanding the foregoing, after the Property is annexed it may be developed in accordance with these Development Regulations and the Special Regulations regardless of the zoning of the Property.

(2) **Concept Plan.**

(a) Development of the Development Property shall comply with a concept plan (the "Concept Plan"), which concept plan shall be submitted to the City concurrently with the first application for a preliminary plan for all or a portion of the Development Property. The Concept Plan shall comply with this Agreement. The developer may amend the Concept Plan from time to time, provided that the revised Concept Plan complies with this Agreement. The Concept Plan shall show the location of certain land use categories, such as open space and areas for each minimum lot size(collectively, the "Land Use Categories"), as well as the general alignment of proposed and existing thoroughfares on the Development Property, a site for an amenity center, and the general alignment of the trail system. The location of the Land Use Categories shown on the Concept Plan may change, provided that (i) the cumulative acreage in each category described in subsection (c) below does not increase by more than 5%; and (ii) the maximum number or residential dwelling units is not increased beyond the maximum allowed pursuant to Section (3) below.

(b) The Concept Plan shall show at least: (1) 70 acres of open space, which shall include a trail system; (2) the 20 acres described in subsection (e) below which may only contain minimum one-acre single-family lots or open space; and (3) the 35 acres described in subsection (f) below which may only contain minimum 20,000 square foot single-family lots or open space.

(c) The Concept Plan shall show no more than: (1) 110 acres of areas which may contain minimum10,000 square foot single-family lots; (2) 110 acres of areas which may contain minimum 8,400 square foot single-family lots; and (3) 203 acres of areas which may contain minimum 7,200 square foot single-family lots.

(d) Open space and minimum lot size areas may be located anywhere within the Development Property (other than the specific areas identified in subsections (e) and (f) below required to have only the specified larger minimum lot sizes), and lot size areas

(regardless of size) are not required to be contiguous (except for the larger lot size areas as described in subsections (e) and (f) below.

(e) The 20 acres for minimum one-acre lots or open space shall be located in the westernmost 20 acres of the Development Property, which begins at State Highway 205 and is immediately east of State Highway 205.

(f) The 35 acres for minimum 20,000 square foot lots or open space shall be located in the portion of the Development Property immediately adjacent to, and to the east of, the minimum one acre lot area described in Subsection (e) above, and shall include the area along the portion of the western border of the Development Property which does not front on State Highway 205.

(3) **Maximum Density**. The maximum residential density for the Development Property shall be two dwelling units per gross acre. If, however, the City does not approve the Proposed Zoning of the Development Property within three months after the Effective Date or the City modifies or withdraws the District Consents, then, notwithstanding anything to the contrary in this Agreement, the restrictions in this ***Exhibit F*** related to density, lot size, setbacks, house size, open space and improvements to League Road shall not apply. If the foregoing density restriction of two dwelling units per gross acre is applicable, there may be up to 1,095 dwelling units on the Development Property.

(4) **Single Family Residential**. Land Use Categories designated as single family residential on the Concept Plan are subject to the following restrictions:

(a) Permitted Uses. See ***Attachment 1*** for permitted uses.

(b) Development Standards. Development shall comply with the following standards. Development of non-residential uses, such as schools and an amenity center, shall comply with the Single Family 7,200 development standards set forth below.

Development Standard	**Single Family 7,200**	**Single Family 8,400**	**Single Family 10,000**	**Single Family 20,000**	**Single Family 1 Acre**
Minimum lot width[3]	60'	70'	80'	100'	100'
Minimum lot depth	110'	115'	120'	150'	150'
Minimum lot area[4]	7,200	8,400	10,000	20,000	1 Acre
Minimum front setback[5]	20'	20'	20'	30'	50'
Minimum side setback	5'	5' for interior side yards and 10' for corner side yards	5' for interior side yards and 10' for corner side yards	10'	10'
Minimum rear setback	10'	10'	10'	10'	10'
Maximum height	36' & 2 stories	36' & 2 stories	36' & 2 stories	36' & 2 stories	36' & 2 stories
Minimum home size on maximum of 20% of the homes	1,800 SF	2,000 SF	2,200 SF	2,500 SF	2,500 SF
Minimum home size on remainder of the homes	1,900 SF	2,100 SF	2,300 SF	2,600 SF	2,600 SF

All setbacks shall be measured from the property line. No building encroachments are permitted in the required rear and side yard setbacks. Front porches, livable area of the house, and side-loaded garages may encroach a maximum of five feet into the minimum front yard setback.

[3] The width of a lot, measured in feet, at the minimum front setback.
[4] The area of a lot measured in square feet.
[5] On corner lots, the front yard setback is required only along the street frontage that the front entry of the home faces. For homes on lots that are less than 10,000 square feet, every third home shall have a front yard setback that is at least three feet greater than the minimum front yard setback.

(c) Elevations. A minimum of four different floor plans, each with three materially different elevations, will be offered within each definitive housing price range or product type. The project will have at least three distinctive product types. A minimum of four distinct home color schemes will be offered within each definitive housing price range or product type. Homes with the same front elevation or color schemes are prohibited on adjacent lots or across the street from each other. No more than three consecutive homes may have similar rear elevations if their rear yards abut a collector or arterial street. Emphasis will be placed on the front elevations of homes in the form of covered front porches, bay windows, or other similar features that add interest to the front elevation. The front entry of each home must be visible from the street. Window pop-outs, windowsills, recessed windows or other similar features will be provided on all front elevations. In addition:

- One of the following durable exterior materials and finishes must be provided on at least one elevation: brick veneers, stone veneers, or masonry.
- One of the following architectural features must be provided: covered front entries, large covered front porches that are minimum of eight feet in width, bay windows, or dormers.
- On elevations facing streets and open space (other than open space located on a residential lot), a variety (two or more) of window shapes, sizes, and arrangements must be provided.

(d) Garages. With the exception of side entry garages, no garage may extend forward beyond a home's livable area or covered front porch by more than ten feet. Notwithstanding the foregoing, at least one floor plan must be offered that includes a livable area that extends forward beyond the home's garage. Front loaded garage doors shall not exceed fifty percent of the overall house width. Where more than a standard two car front entry garage can be accommodated, the additional garage bay(s) shall be architecturally designed to appear separate and distinct from the remainder of the garage. Garages may face alleys.

(e) Building Materials. The exterior wall surface for dwellings shall be at least 75% masonry, excluding windows, doors, garage doors, dormers, exterior trim work, columns, walls located directly beneath covered porches or patios that have a minimum dimension of four feet in depth and eight feet in width, and similar architectural features. Masonry includes brick, stone, and stucco. The City Council may approve the use of alternate exterior building materials in lieu of the 75% masonry requirement if the alternate exterior building materials are used in connection with a historic architectural design or other unique architectural design that justifies the use of non-masonry materials, such as cementitious fiber board.

(5) **Open Space.** There shall be a minimum of 70 acres of open space provided in the Development Property, which may include but shall not be limited to active and passive green belt areas which may contain such improvements as tot lots, pavilions, gazebos, shelters, playground equipment, sport courts, sports fields, trails, and other similar uses appropriate for parks and open space Land Use Categories. Open space shall also include any green space, common space, common areas that are owned, managed, or maintained by a property owners association, a PID, or the District, or any area on the rear or side of a lot that (i) includes a lake, pond, or other open area that is restricted from having any building; (ii) otherwise borders a street or another open space area; and (iii) and is in excess of the minimum side or rear yard

setback, whichever is applicable. Open space, at the developer's option, may be operated as a private or public park, provided any park to be operated by the City must be accepted by the City. A minimum five-foot wide concrete pathway shall be provided through open space to provide connections to open space amenities and to provide walking and biking trails in some parts of the open space. Drainage easements may be included in the calculation of open space. Private open space shall be maintained by the District, a PID or a property owners association.

(6) **Landscaping.** The following landscaping provisions are the exclusive landscaping provisions that apply to the Development Property:

(a) Perimeter Landscape Buffers Other than Along SH 205. Except along SH 205, a 10-foot landscape buffer must be provided where the rear of a lot abuts a street. Buffers shall contain a minimum of one tree that is at least four inches in caliper (measured at two feet above the ground) and eight feet in height at the time of planting for each 20 feet of street frontage or fraction thereof. The buffer may include a sidewalk if approved by the City Council. Landscaped buffers shall also include shrubs, ground cover, sod, or other live plant materials.

(b) Perimeter Landscape Buffers Along SH 205. A 50-foot landscape buffer must be provided along portions of the Development Property adjacent to SH 205. The buffer may contain a sidewalk if approved by the City Council. With the exception of areas occupied by a sidewalk, all of the landscape buffer must be landscaped with live materials. Subdivision entryway landscaping required by Subsection (c) below and located in this buffer area may count towards the landscaping requirements in this Subsection (b). The buffer shall contain the following landscape materials:

(i) A minimum of one tree that is at least four inches in caliper (measured at six feet above the ground) and eight feet in height at the time of planting for each 20 feet of street frontage or fraction thereof; and

(ii) A minimum of ten shrubs that are a minimum of three gallons each for every 40 linear feet of street frontage or fraction thereof.

(c) Subdivision Entryway Landscaping. At a minimum, subdivision entryways shall be landscaped to include trees, shrubs, and ground cover or sod. In addition, any subdivision entryway along SH 205 shall include at a minimum one entry monument, lighting, and signage identifying the subdivision. The entry monument shall be constructed of natural materials, such as stone. Landscaped areas shall be at least a total of 25 feet wide (which includes median landscaping if requested by the developer), along each street they abut, and shall be a minimum of 20 feet in depth. Landscaping shall include a minimum of three trees at each entryway corner, and each tree must be at least three inches in caliper (measured at six feet above the ground) and eight feet in height at the time of planting. Each landscaped area shall also include a minimum of ten shrubs that are a minimum of three gallons each.

(d) Landscaping for Residential. All residential development shall meet the following landscaping standards: (i) a minimum of two trees that are at least two inches in caliper measured two feet above ground level must be planted on each detached single family lot, and at least one of the two trees must be planted in the front yard; (ii) each single family

detached lot shall have a minimum of ten shrubs that are a minimum of three gallons each; and (iii) all of the unimproved areas of a front lawn shall be covered in turf or sod. Required landscaping shall be installed prior to occupation of a new home.

(e) Irrigation. All required landscaping in common areas shall be irrigated with an automatic irrigation system.

(f) Maintenance. All landscaped buffers and landscaped entryway areas shall be maintained at all times.

(g) Waiver. The City Council may reduce the width of the required landscape buffer or entryway landscaped area when the reduction is necessary to accommodate utilities or public improvements.

(7) **Fences and Screening.**

(a) Height. Fences on individual residential lots are limited to a maximum height of six feet.

(b) Side Yard Fence Returns. Side yard fence returns for fences in the interior side yard shall, at a minimum, extend to within 10 feet of the front corner of each single family residence.

(c) Subdivision Perimeter Fencing. Subdivision perimeter fencing shall be constructed of 100% masonry or wrought iron with masonry columns at 40 feet on center where the rear or side of a single family residence abuts a street, as well as along portions of the Development Property adjacent to SH 205. Subdivision perimeter fencing shall be a minimum of five feet in height. Subdivision perimeter fencing shall not exceed a length of 500 feet without a change in character such as the addition of wrought iron with a living screen.

(d) Screening Adjacent to Open Space, Common Areas or Park Areas. All screening and fencing that is adjacent to common areas, open space, or park areas shall consist of ornamental iron, except that a screening wall or fence adjacent to a major arterial road may also consist of wood and/or masonry. All fencing or screening walls that serve as a perimeter fence or wall shall incorporate landscaping, including trees and shrubs.

(e) Fence Materials. Fencing made of chain link, aluminum, or metal (other than wrought iron) is prohibited. Wood stockade fences shall have metal posts and triple bracing. Wood stockade fences shall be of cedar, spruce consisting of number one or two grade lumber, or any other wood of a higher quality and better durability.

(f) Fence Maintenance. All fencing that is not located on an individual lot shall be provided within an easement, and a property owners association, the PID, or the District shall maintain the fencing.

(8) **Parking.** The minimum parking requirements for each use are set forth on ***Attachment 1***. If specific requirements result in a fraction of a parking space, the next larger

whole number of spaces is required. Carports are not allowed as part of any residential use. Required parking spaces for residential uses must be enclosed.

(9) **Signs.** Signage shall be in accordance with the City's ordinances and sign regulations.

(10) **Amenity Center**. Upon submittal, the Concept Plan shall identify a site on the Development Property for an amenity center. Prior to the issuance of the 200th building permit on the Development Property, an amenity center must be constructed at the location shown on the Concept Plan. The amenity center shall include, but not be limited to, a public or private swimming pool or water park, a fitness room, a lounge, playground equipment, a full kitchen, restrooms, and parking.

(11) **League Road**. At the time the developer develops the first development phase of the Development Property that has frontage on League Road, the developer shall cause League Road to be resurfaced with asphalt at the intersection of League Road at the southwest corner of the Development Property and west from that point to the intersection of League Road and SH 205.

(12) **Tree Preservation.** Ordinance No. 2005-04 applies.

ATTACHMENT 1

Permitted Uses and Minimum Parking Requirements

	Single Family	Minimum Parking[6]
Model Home	P	2 spaces
Single-family detached dwelling[7]	P	2 spaces
Temporary manufactured housing	P	1 space
Agricultural	P	None
Community center, public or private	P	1:300
Electrical substation	P	2 spaces
Fire station and related facilities	P	5 spaces plus 1 per bed
Library	P	10 spaces plus 1:300
Municipal building and uses	P	To be determined by the Town
Park or public playground and related facilities	P	1:300
Police station and facilities	P	1:150
Religious institution	P	1 space for every four seats in the main sanctuary
School, elementary and middle	P	1 space for each classroom, plus 1 space for each 4 seats in any auditorium, gymnasium, or other place of assembly
School, high	P	1 space for each classroom or laboratory instruction area, plus 1 space for each 3 students
Utilities	P	None
Water storage facility	P	2 spaces
Asphalt/concrete batching, temporary	P	2 spaces
Accessory building or structure	P	None

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6 All ratios refer to the number of spaces in relation to the square footage of floor area within a structure.

7 A single family detached unit is a single dwelling unit located on its own platted lot that is not attached to any other dwelling units.

	Single Family	Minimum Parking[6]
Amenity Center	P	None
Customarily incidental accessory uses	P	None
Home occupation	P	None
Swimming pool, private	P	None