CWK
05/01/08
Item No. 4

2008-05-01-0024R

A RESOLUTION

CONSENTING TO THE CREATION BY THE MEDINA COUNTY COMMISSIONERS COURT OF THE MEDINA COUNTY WATER CONTROL IMPROVEMENT DISTRICT NO. 1, ALSO KNOWN AS KINGS GATE WCID, SITUATED WITHIN THE EXTRATERRITORIAL JURISDICTION OF THE CITY OF SAN ANTONIO, TWO MILES EAST OF MEDINA LAKE, ALONG FM 1283 IN MEDINA COUNTY, ENCOMPASSING APPROXIMATELY 850 ACRES AND AUTHORIZING THE EXECUTION OF A CONSENT AGREEMENT WITH HILLS OF LAKE MEDINA, L.P., THE PROPERTY OWNER.

* * * * *

WHEREAS, on June 24, 2007, the Hills of Lake Medina L.P., ("Owners") submitted a request to the City of San Antonio for its consent to the creation of a water control and reclamation district to facilitate financing for construction of a water production and distribution system and to provide for drainage improvements; and

WHEREAS, the Owners clarified their request on August 23, 2007, providing additional information, and followed the letter with telephone communications, clarifying that the Owners are seeking the City's consent to the creation of Medina County Water Control and Improvement District No. 1 (the "District"), that would be created by the Medina County Commissioners Court, and which would have statutory authority to issue bonds to finance the construction of these improvements; and

WHEREAS, the Owners propose to build a low-density residential development with approximately 382 residential units on the 850 acres with an approximate impervious cover of 15 percent or less; and

WHEREAS, the development is situated over the Edwards Aquifer Recharge Zone and water production will be from the Trinity Aquifer, with minimum lot sizes of two (2) acres as required by Medina County's subdivision regulations that govern development within the Edwards Aquifer Recharge Zone; and

WHEREAS, the residential lots will have on-site septic systems, and a preliminary plat has been filed with Medina County, which will conduct all final inspections of the on-site septic systems; and

WHEREAS, in December 2007, the Owners entered into a Utility Service Agreement (USA) with SAWS, which will provide for the creation of a SAWS-owned satellite system to be constructed by the Owners as required by SAWS, and the Owners will dedicate, grant and convey that infrastructure through the WCID to SAWS, lien free, upon completion of construction; and

WHEREAS, under the terms of the USA. SAWS will not extend any water mains to the project site and water provision will be provided through a self-contained satellite system; the Owners will construct all water infrastructure at their sole cost to the specifications of SAWS, and will convey the infrastructure to SAWS at no cost to SAWS; that upon acceptance, SAWS will own and operate the system, and shall provide water from wells constructed by the developer in the Trinity Aquifer located on the project site; that the developer will comply with SAWS stringent construction and water quality standards, and that wastewater treatment will be through septic tanks; and

WHEREAS, the City and Owners propose to enter into a Consent Agreement that establishes the mutually agreeable terms and conditions relating to the creation and operation of the District; and

WHEREAS, the Consent Agreement provides in part that the District cannot convert or merge into another district or annex land without City approval; provides for annexation of the District by the City; and further states that upon annexation, the City may set rates for water and may include additional surcharges for the purpose of recovering the District's debt and other obligations assumed by the City; **NOW THEREFORE:**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Consent to creation of District. The City Council of the City of San Antonio consents to the request of the property owners, Hills of Lake Medina, L.P., for the creation by the Medina County Commissioners Court of the Medina County Water Control and Improvement District No. 1, for the project known as "Kings Gate", encompassing approximately 850 acres in Medina County, in the extraterritorial jurisdiction of the City of San Antonio. A copy of the request is attached as Exhibit 1, and a map of the Project is attached as Exhibit 2.

SECTION 2. Authorization of City Manager to enter into Consent Agreement. The City Manager, or a designee, is authorized to enter into a written Consent Agreement, which establishes the mutually agreeable terms and conditions relating to the creation and operation of the District. A copy of the Consent Agreement in substantially final format is attached to this Resolution as Exhibit 3. Upon execution, a complete original copy shall be attached to this Resolution.

SECTION 3. Incorporation of Recitals. The statements set forth in the recitals of this Resolution are true and correct, and are incorporated as a part of this Resolution.

SECTION 4. Severability. If any provision of this Resolution or the application of this Resolution to any circumstance shall be held to be invalid, the remainder of this Resolution and the application of this Resolution to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared in this Resolution, and this Resolution would have been enacted without such invalid provision.

CWK
05/01/08
Item No. 4

SECTION 5. Effective Date: This Resolution is effective immediately upon the receipt of eight (8) affirmative votes.

PASSED AND APPROVED this 1st day of May 2008.

M A Y O R

PHIL HARDBERGER

ATTEST: _____
City Clerk

APPROVED AS TO FORM: _____
for City Attorney

Request for COUNCIL ACTION

City of San Antonio

Agenda Voting Results - 4

Name:	4
Date:	05/01/2008
Time:	09:34:38 AM
Vote Type:	Motion to Approve
Description:	A Resolution consenting to the creation by the Medina County Commissioners Court of the Medina County Water Control Improvement District No. 1, also known as Kings Gate WCID, situated within the extraterritorial jurisdiction of the City of San Antonio, two miles east of Medina Lake, along FM 1283 in Medina County, encompassing approximately 850 acres; and authorizing the execution of a Consent Agreement with the property owner, Hills of Lake Medina, LP. [T.C. Broadnax, Assistant City Manager / Interim Director, Planning and Community Development]
Result:	Passed

Voter	Group	Not Present	Yea	Nay	Abstain	Motion	Second
Phil Hardberger	Mayor		x				
Mary Alice P. Cisneros	District 1		x				
Sheila D. McNeil	District 2		x				
Jennifer V. Ramos	District 3		x				
Philip A. Cortez	District 4		x				
Lourdes Galvan	District 5		x				
Delicia Herrera	District 6		x				
Justin Rodriguez	District 7		x				
Diane G. Cibrian	District 8		x			x	
Louis E. Rowe	District 9		x				x
John G. Clamp	District 10		x				

CITY OF SAN ANTONIO
Request for Council Action

Agenda Item # 4
Council Meeting Date: 5/1/2008
RFCA Tracking No: R-3079

DEPARTMENT: Planning and Community Development

DEPARTMENT HEAD: T.C. Broadnax

COUNCIL DISTRICT(S) IMPACTED:
City Wide

SUBJECT:
Medina County (Kings Gate) Water Control & Improvement District

SUMMARY:
The attached resolution grants the City's consent for the creation of the Medina County Water Control and Improvement District (WCID) No. 1, also known Kings Gate WCID, situated within the Extraterritorial Jurisdiction (ETJ) of San Antonio, two miles east of Medina Lake, along FM 1283 in Medina County and encompassing approximately 850 acres and authorizes the City Manager to execute a consent agreement with Hills of Lake Medina, L.P. ("Owner").

BACKGROUND INFORMATION:

On June 24, 2007, the Hills of Lake Medina L.P., ("Owners") submitted a request to the City for its consent to the creation of Medina County Water Control and Improvement District No. 1. A WCID is sought to facilitate financing for construction of a water production and distribution system and to provide for drainage improvements. The District will have statutory authority to issue bonds to finance the construction of these improvements.

The Owners propose to build a low-density residential development with approximately 382 residential units on the 850 acres with an approximate impervious cover of 15 percent or less. The development is situated over the Edwards Aquifer Recharge Zone and water production will be from the Trinity Aquifer. Minimum lot sizes of two (2) acres are required by Medina County's subdivision regulations that govern development over the Edwards Aquifer Recharge Zone. The residential lots will have on-site septic systems. A preliminary plat has been filed with Medina County and the County will conduct all final inspections of the on-site septic systems.

- In December of 2007, the Owners entered into a Utility Service Agreement (USA) with SAWS, which will provide for the creation of a SAWS-owned satellite system. The Owners will construct all on and off-site utility infrastructure as required by SAWS, and will dedicate, grant and convey that infrastructure through the WCID to SAWS, lien free, upon

completion of construction. Under the terms of the utility service agreement:

- SAWS will not extend any water mains to the project site and water provision will be provided through a self-contained satellite system.
- The developer will construct all water infrastructure at its sole cost.
- Upon acceptance by SAWS will provide water from wells constructed by the developer in the Trinity Aquifer located on the project site.
- The developer will comply with SAWS stringent construction and water quality standards.
- The developer will transfer to SAWS all of the water provision infrastructure at no cost to SAWS.
- SAWS will own and operate the water provision infrastructure and will collect revenue billed at SAWS rates.
- Wastewater treatment will be through septic tanks.
- Infrastructure will be compatible with SAWS infrastructure and capable of integration should the City determine to annex the area.

ISSUE:

According to state law, a WCID may not be created nor include land in the proposed district within the ETJ of a municipality, unless the governing body of the municipality grants its written consent by either ordinance or resolution. The City's consent to the creation of the district within its ETJ is only an authorization to initiate proceedings to create the WCID. However, the failure or refusal of a municipality to grant consent constitutes consent for the applicant to seek creation of the district by the Medina County Commissioners Court.

The City and Owners propose to enter into a Consent Agreement that establishes the mutually agreeable terms and conditions relating to the creation and operation of the District. The Agreement provides the City and SAWS with the authority to review and approve District's plans and for the District to pay all applicable city review fees. Another provision of the Agreement is that the District cannot convert or merge into another district, or annex or disannex land without City approval. It also provides that the City will not annex the district any earlier of which is the first to occur fifteen (15) years after the effective date of the agreement, the infrastructure serve ninety percent (90%) of the land, or the dissolution of the district. The agreement further allows that upon annexation, the City may set rates for water and may include additional surcharges for the purpose of recovering the District's debt and other obligations assumed by the City.

ALTERNATIVES:

Even if the City refuses or fails (takes no action) to grant consent to the creation of a district or to execute a mutually agreeable contract for the water and sanitary services within the allotted timeline, the property owners have completed a required step in the statutory process by seeking the consent from the municipality in whose ETJ that the project is located. Then, the Owners may petition the Medina County Commissioners Court for the creation of the district or inclusion of the land in the district. However, in the event that the City does not approve the Consent Agreement the Utility Service Agreement between Developer and SAWS will immediately terminate.

FISCAL IMPACT:

There is no fiscal impact associated with passage of this resolution.

RECOMMENDATION:
Staff recommends approval of this resolution consenting to the creation of the Medina County Water Control and Improvement District (WCID), No. 1, also known as the Kings Gate WCID and authorizing the City Manager to execute a consent agreement with the Owners, Hills of Lake Medina, L.P.

ATTACHMENT(S):

File Description	File Name
Kings Gate/Medina County WCID No. 1	Kings Gate.pdf
Voting Results	
Resolution/Supplemental Documents	200805010024R.pdf

DEPARTMENT HEAD AUTHORIZATIONS:
Jesus Garza Assistant Director Planning and Community Development

APPROVED FOR COUNCIL CONSIDERATION:
T.C. Broadnax Assistant City Manager

TRISH
#4-WALLACE

Resolution granting Consent to the Creation of the Medina County (Kings Gate) Water Control & Improvement District (WCID) No 1 & Authorizing Execution of a Consent Agreement with the Owners, Hill of Lake Medina L.P.

San Antonio City Council
May 1, 2008
Item # 4

1

Hills of Lake Medina Petition

- On June 24, 2007, the Owners Hills of Lake Medina L.P. submitted a request to the City:
  - For its consent to the creation of Medina County Water Control & Improvement District No. 1
    - —A WCID is sought to facilitate financing for construction of a water production & distribution system & to provide for drainage improvements
    - — The District will have statutory authority to issue bonds to finance the construction of these improvements

2

Summary of Recommendations

Staff recommends that the City:

- Grants its consent to the petition for the creation of Medina County Water Control & Improvement District No. 1 for the project known as "The Kings Gate"
- Authorizes the City Manager to execute a consent agreement with the Owners, Hills of Lake Medina, L.P.

5

EXHIBIT 1

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

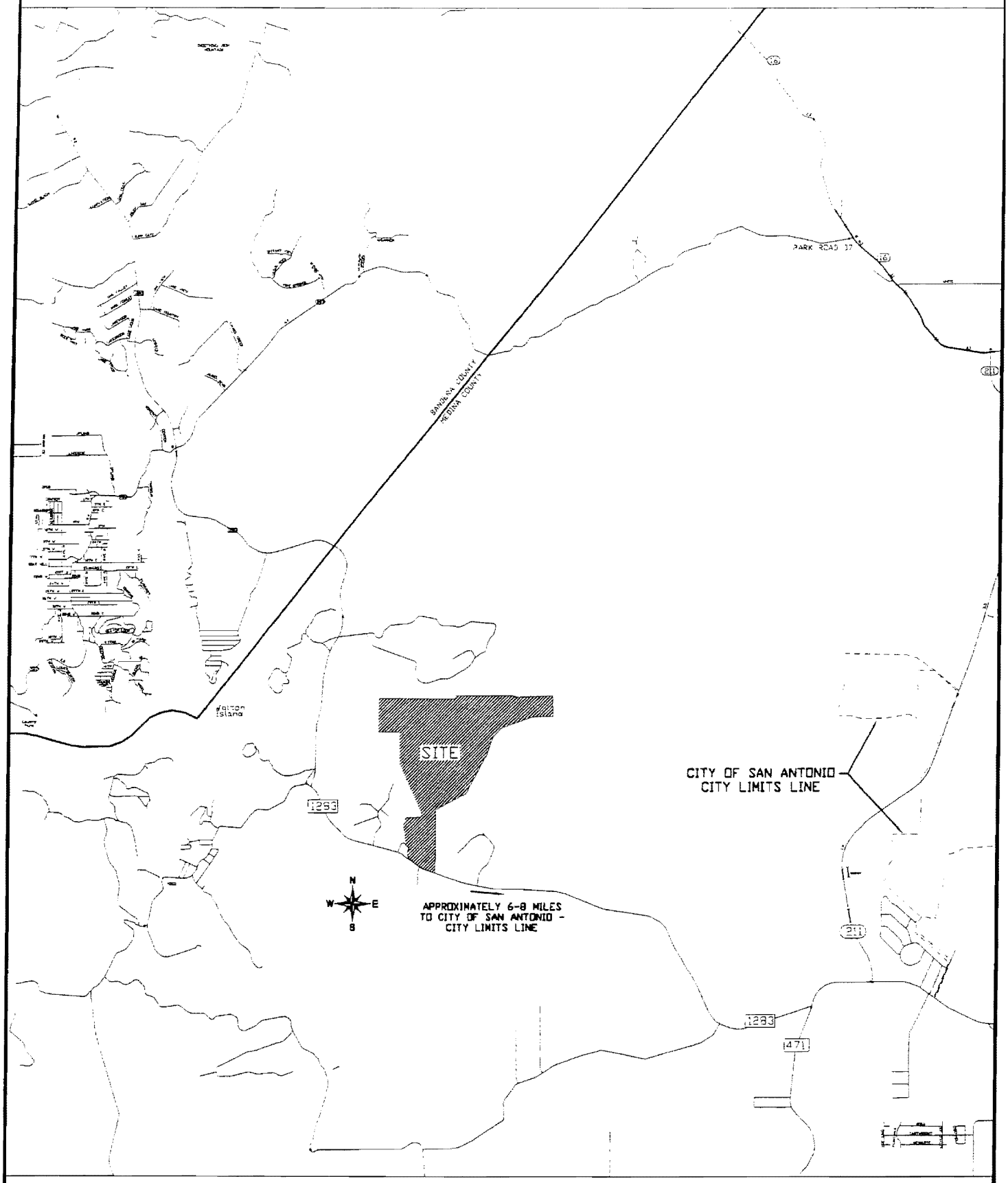
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

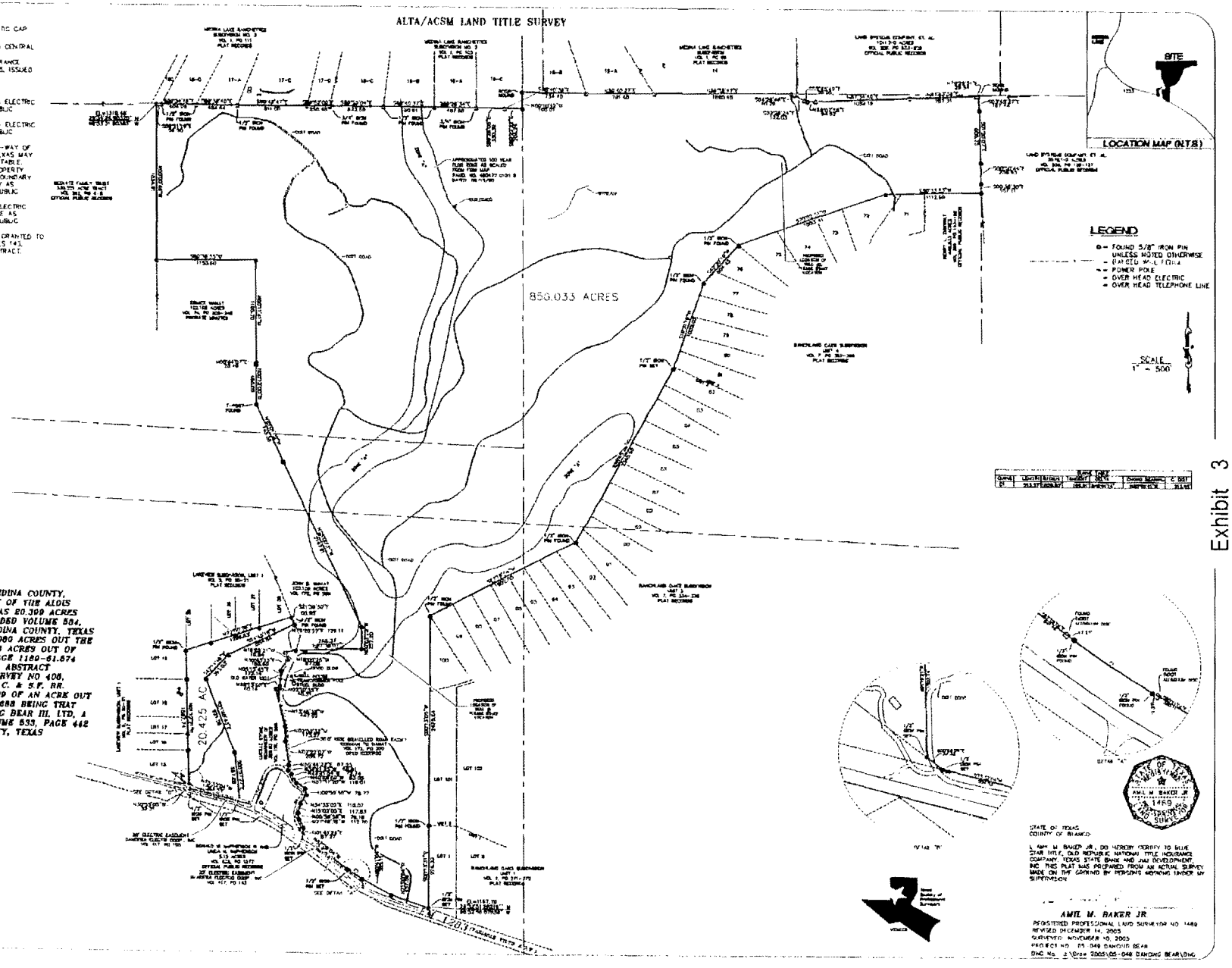
Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

ALTA/ACSM LAND TITLE SURVEY

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING."
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83.
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, G.F. NO. 0423148-CVAU EFFECTIVE DATE SEPTEMBER 12, 2003, ISSUED DATE SEPTEMBER 30, 2003.
4) CORRESPONDING NOTES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN.
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 150, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 411 PAGES 792, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT.
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 517, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT. DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 872, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 873, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 143, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



PLAT SHOWING:
SURVEY OF 870.456 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT 2 OF LAND OUT OF THE ALOIS HABY SURVEY NO. 300, ABSTRACT 1824, DESCRIBED AS 20.300 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 504, PAGE 787 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.035 ACRE TRACT 1 CONSISTING OF 164.080 ACRES OUT THE ALOIS HABY SURVEY NO. 300, ABSTRACT 1824- 8.504 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1160-61.574 ACRES OUT OF THE FRANK BURRELL SURVEY NO. 85, ABSTRACT 1817-324.307 ACRES OUT OF THE LEUPOLD HABY SURVEY NO 406, ABSTRACT 1746 AND 303.779 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1391 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1688 BEING THAT SAME 850.081 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD, A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 533, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER
SURVEYING & ENGINEERING, INC.
PH. (830) 833-3330
FAX (830) 833-3337
7250 US 281 N
P. MOOL TX 78006

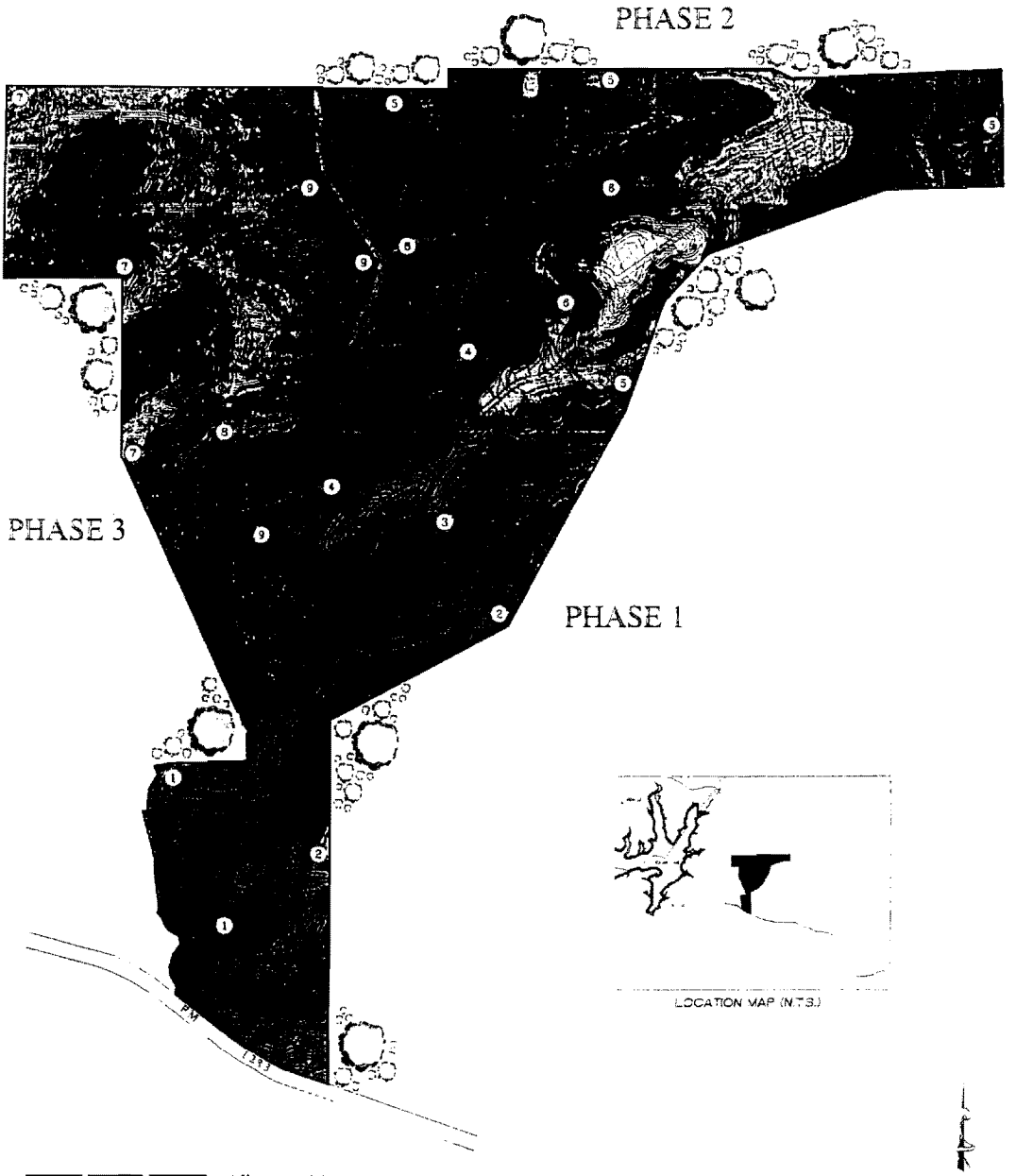
STATE OF TEXAS
COUNTY OF BEXAR:

I, AMIL M. BAKER JR., DO HEREBY CERTIFY TO BLUE STAR TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND JAU DEVELOPMENT, INC. THIS PLAT HAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY PERSONS WORKING UNDER MY SUPERVISION.

AMIL M. BAKER JR
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1489
REVISED DECEMBER 14, 2005
SURVEYED NOVEMBER 10, 2005
PROJECT NO. 05-049 DANCING BEAR
DWG No. Z:\Draw 2005\05-049 DANCING BEAR.DWG

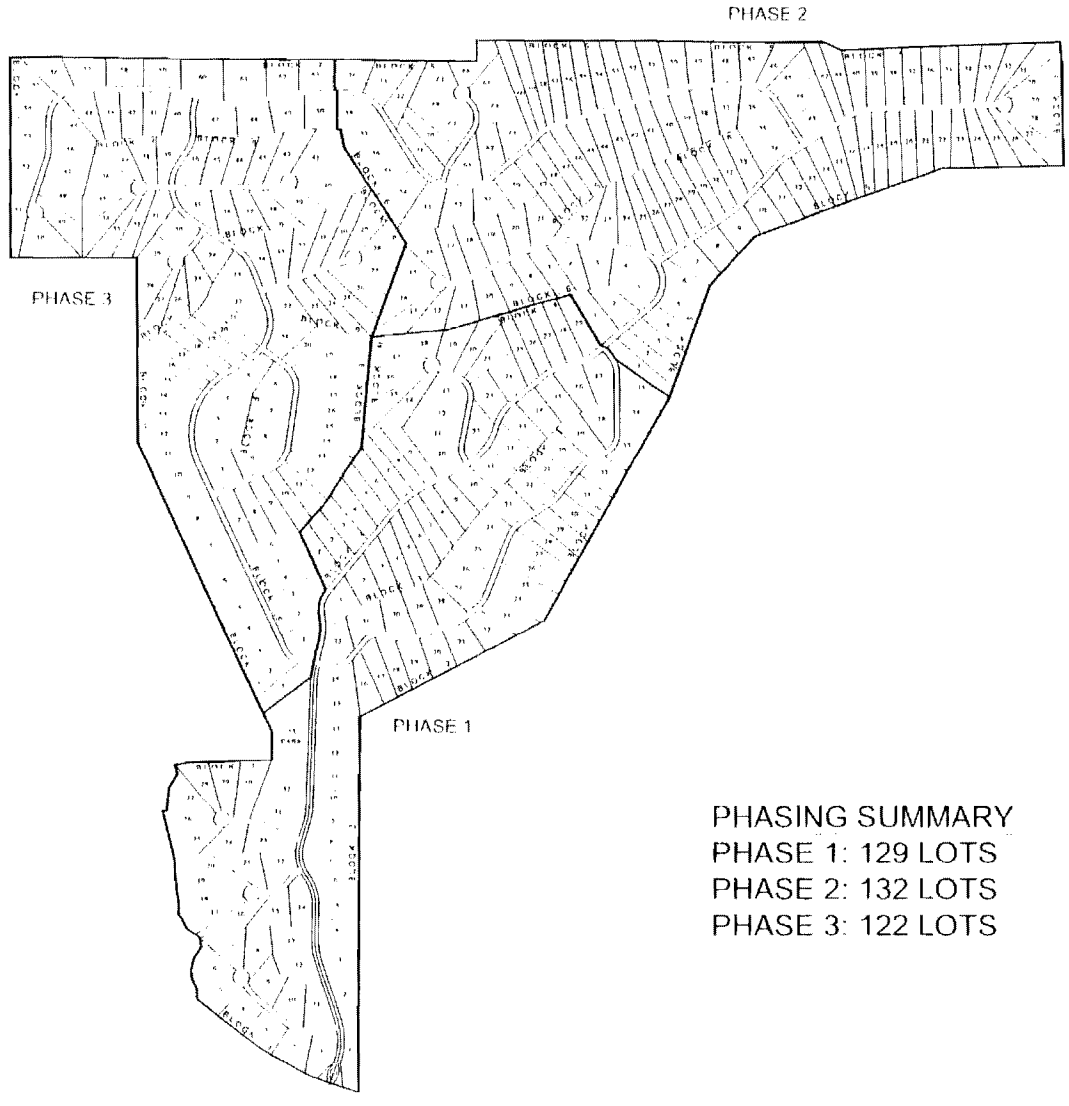
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.
(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.
(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavoyne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

DRAFT

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part, however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for over-sizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

G.C.11.00 Off-Site On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land, however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

DRAFT

SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

Preparer's Initials _____

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

Preparer's Initials _____

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

Preparer's Initials _____

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

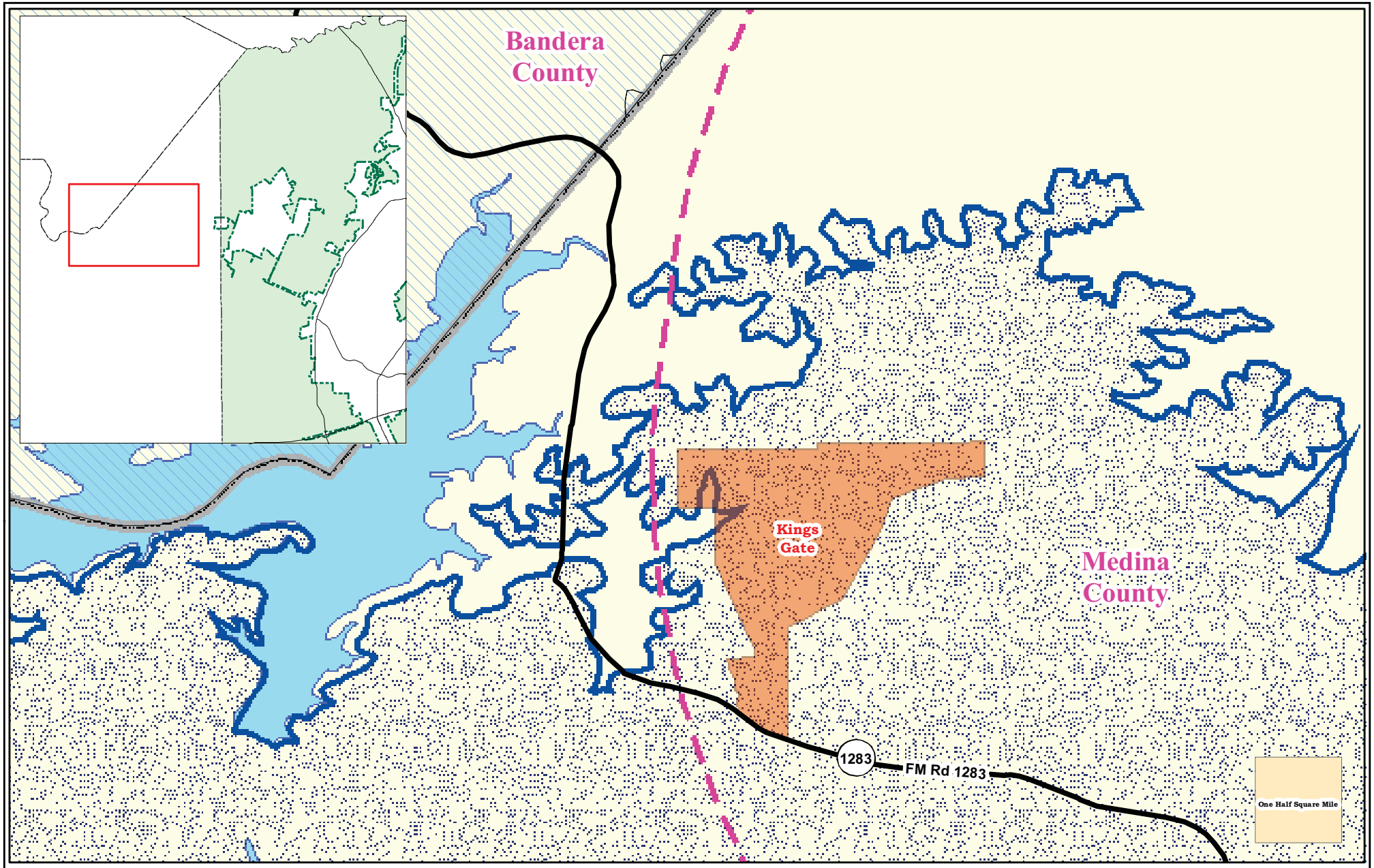
1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

EXHIBIT 2



Legend

Kings Gate | Edwards Aquifer Recharge Zone | Trinity Aquifer | ETJ | Adjacent Counties

N W E S

Hills of Lake Medina

(King's Gate)

0 2,000 4,000 Feet

Data Source: City of San Antonio Enterprise GIS, Bexar Metro 911, Bexar Appraisal District

"This Geographic Information System Product, received from The City of San Antonio is provided "as is" without warranty of any kind, and the City of San Antonio expressly disclaims all express and implied warranties, including but not limited to the implied warranties of merchantability and fitness for a particular purpose. The City of San Antonio does not warrant, guarantee, or make any representations regarding the use, or the results of the use, of the information provided to you by the City of San Antonio in terms of correctness, accuracy, reliability, timeliness or otherwise. The entire risk as to the results and performance of any information obtained from the City of San Antonio is entirely assumed by the recipient."

"Please contact the responsible City of San Antonio Department for specific determinations."

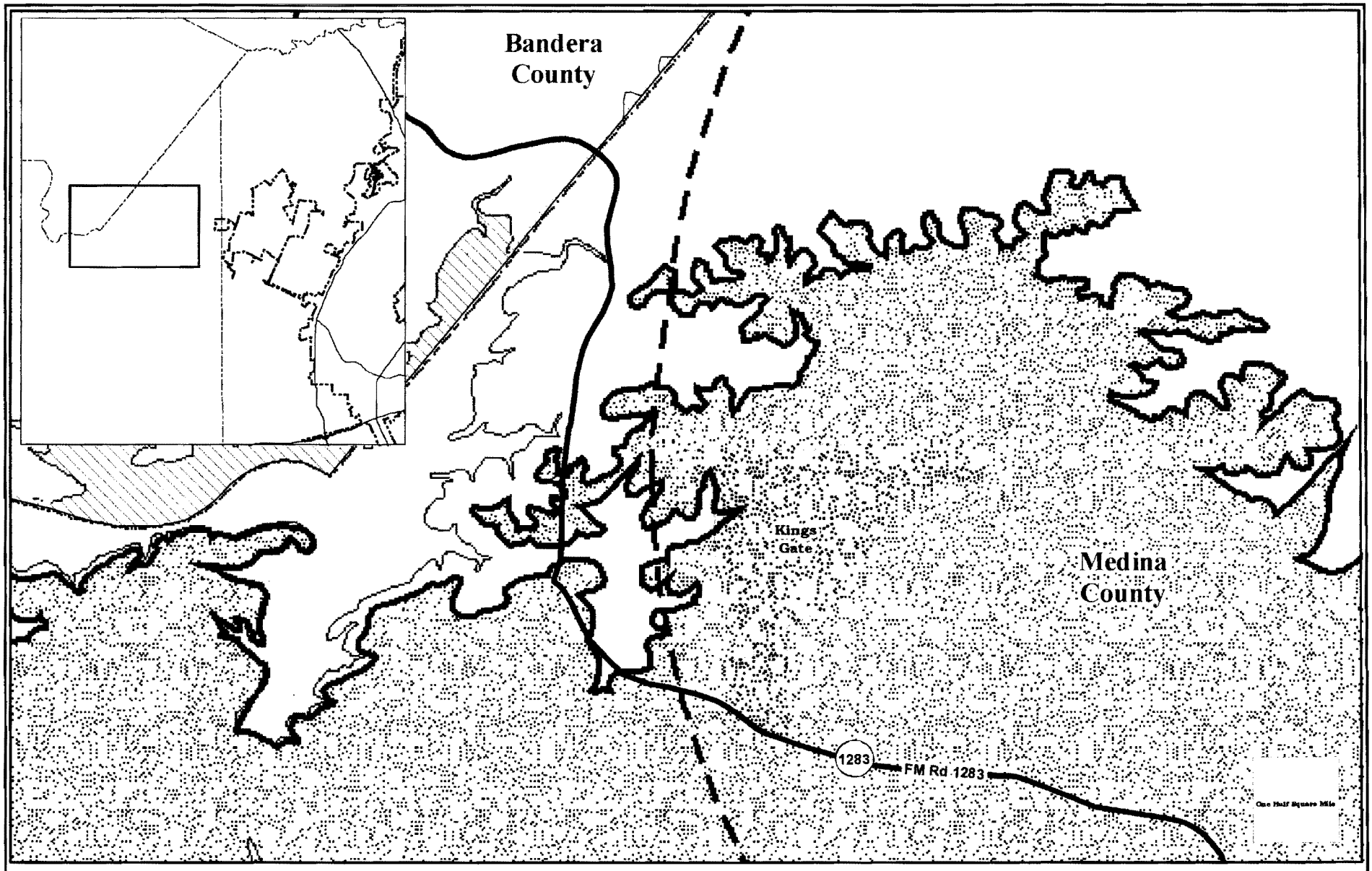
City of San Antonio Planning Department GIS Manager: Dr. (Wendy) Woodruff, dr.woodruff@sanantonio.gov. Maps may be ordered at: (210) 207-7873

Map Created by: C.B. Barrientez, Jr Map file location: C:/Arcview/Comprehensive-2/Kings Gate.mxd

Map Last Edited: March 18, 2008

PDF Filename: 0803GC17.pdf

City of San Antonio
Planning and Community Development Department
Development and Business Services Center
1901 S. Alamo
San Antonio, TX 78204



Legend

Kings Gate | Edwards Aquifer Recharge Zone | Trinity Aquifer | ETJ | Adjacent Counties

Hills of Lake Medina

(King's Gate)

0 2,000 4,000 Feet

N W E S

City of San Antonio
Planning and Community Development Department
Development and Business Services Center
1901 S. Alamo
San Antonio, TX 78204

Data source: City of San Antonio Enterprise GIS, Bexar Metro 911, Bexar Appraisal District

Map Created by: C.B. Barrientez, Jr. Map file location: C:\Arcview\Comprehensive-2\Kings Gate.mxd
Map Last Edited: March 18, 2008
PDF Filename: 0803GC17.pdf

EXHIBIT 3

DRAFT
04/29/08

AGREEMENT CONCERNING CREATION OF MEDINA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

This Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1 (this "Agreement") is entered into by the City of San Antonio, a Texas Home Rule City situated in Bexar County, Texas, (the "City"), and Hills of Lake Medina, L.P. ("Owner").

ARTICLE I
RECITALS

WHEREAS, Owner represents that it is the owner of approximately 850 acres in Medina County, Texas, as shown on Exhibit A and described on Exhibit B attached to this Agreement (the "Land"). The Land lies entirely within the City's extraterritorial jurisdiction ("ETJ").

WHEREAS, Owner filed a written request with the City on June 24, 2007, seeking the City's consent to the creation of the District, and clarified its request on August 23, 2007, with more project details (the "Consent Request"); and

WHEREAS,The purposes of this Agreement are to set out the mutually agreeable terms and conditions relating to the creation and operation of the District, which include the provisions under which the City has adopted its Resolution consenting to the creation of the District and consistent with Section 42.042 of the Texas Local Government Code.

WHEREAS,On May 1, 2008, pursuant to the Consent Request, and Owners' request for consideration on that day, the City Council of the City adopted Resolution No. 2008R-05-01-____ consenting to the creation of the District (the "Consent Resolution"), which approved, and is subject to, the terms and conditions of this Agreement.

NOW THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions hereinafter set forth, the Parties contract and agree as follows:

ARTICLE II
DEFINITIONS

"Agreement" means this Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1.

"Assignee" means a successor to Owner as defined in Section 8.09(b) of this Agreement.

"Attorney General" means the Attorney General of the State of Texas.

"Board" means the Board of Directors of the District.

"Bond" means (a) any instrument, including a bond, note, certificate of participation, certificate of obligation, or other instrument evidencing a proportionate interest in payments, due to be paid by the District, or (b) any other type of obligation that (1) is issued or incurred by the District under the District's borrowing power, without regard to whether it is subject to annual appropriation, and (2) is represented by an instrument issued in bearer or registered form or is not represented by an instrument but the transfer of which is registered on books maintained for that purpose by or on behalf of the District. The term shall include obligations issued to refund outstanding Bonds, but shall not include reimbursement agreements entered into between the District and a developer of the Land or bond anticipation notes.

"CCN" means a certificate of convenience and necessity or similar permit issued by the TCEQ authorizing a specified entity to be the retail water or sewer service provider in a specified area.

"City" means the City of San Antonio, Texas, a Home Rule City located in Bexar County, Texas.

"City Council" means the City Council of the City.

"City Manager" means the City Manager of the City.

"City Engineer" means one or more engineers hired or engaged to work for the City.

"City Review Fees" means: (a) the fees and charges applicable to the City's preliminary and final plat review and approval process according to the fee schedule adopted by the City Council and in effect on the date of submittal of each plat application; and (b) fees and charges applicable to the review of plans relating to construction of Infrastructure according to the fee schedule adopted by the City Council and in effect on the date of submittal of such plans.

"
Consent Request" means the written request submitted by Owner and filed with the City on June 24, 2007, and amended on August 23, 2007, seeking the City's consent to the creation of the District, both letters attached as Exhibit C to this Agreement

"Consent Resolution" means the Resolution No. ___ adopted May 1,, 2008 by the City Council that approves this Agreement and that contains the City's consent to the creation of the District.

"Contractor" means a person or entity that constructs, alters or repairs Infrastructure required to serve the Land.

"District" means the Medina County Water Control & Improvement District No. 1, a

district created pursuant to Article XVI, Section 59 of the Texas Constitution to be created contiguous with the Land.

"District Confirmation Date" means the date on which the Board canvasses the results of the election held within the District confirming the creation of the District.

"Effective Date" means the effective date of this Agreement and is May 1, 2008 the effective date of the City's adoption of the Consent Resolution.

"ETJ" means the extraterritorial jurisdiction of a city as defined by the Texas Local Government Code, as amended.

"Infrastructure" means all water facilities, drainage infrastructure and the facilities related to those improvements installed or constructed to serve the Land, whether located within or outside the Land.

"Land" means that certain approximately 850 acre tract located in Bexar County, Texas as shown on Exhibit A and described on Exhibit B.

"Notice" means notice as defined in Section 8.01 of this Agreement.

"Owner" means Hills of Lake Medina, L.P., its successors and Assignees as permitted by this Agreement.

"Party" means, individually, the City, Owner, or the District, their successors and their Assignees as permitted by this Agreement, collectively "Parties."

"SAWS" means the San Antonio Water System, an agency of the City of San Antonio.

"TCEQ" means the Texas Commission on Environmental Quality or its successor state agency.

"USA" means the Utility Service Agreement signed on December 13, 2007 between SAWS and Owner, attached as Exhibit D.

"Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE III
CONSENT TO CREATION

In accordance with the terms of the Agreement, the City consents to the creation of the District over the Land and the calling and holding of an election within the District to confirm the creation of the District. The City further acknowledges that the purpose of the District, among other matters, to construct, finance or have constructed, water and other improvements within the District's boundaries and that the District will have the authority to issue bonds for such purposes.

ARTICLE IV
CONSTRUCTION, OPERATION, MAINTENANCE AND INSPECTION OF DISTRICT WATER FACILITIES

4.01 Infrastructure Standards. The Owner and the District shall, at no cost to the City or SAWS, construct infrastructure in accordance with plans and specifications that have been approved by SAWS. All infrastructure shall be designed and constructed in compliance with: (a) the USA, (b) the rules and regulations, if any, of the District; (c) the rules and regulations of TCEQ.

ARTICLE V
CONVERSION, ANNEXATION OR DISANNEXATION BY DISTRICT

The District shall not: (a) annex any additional lands to the District; (b) convert into another type of district; (c) consolidate with another district; or (d) divide into two or more new districts without prior City Council approval.

ARTICLE VI
ANNEXATION OF DISTRICT BY CITY

6.01 General Terms. The Parties acknowledge and agree that the Land lies wholly within the City's ETJ; is not bordered by another city, town, or village. The Parties further acknowledge that the creation of the District, and the City's consent thereto, are for purposes that include promoting the orderly development and extension of City services to the Land upon annexation.

6.02 Incorporation. In furtherance of the purposes of this Agreement, the District and Owner, on behalf of themselves and their respective successors and Assignees covenant and agree to the extent allowed by law that, except upon written consent of the City Council, neither the District nor Owner will: (a) seek or support any effort to incorporate the Land or any part thereof; or (b) sign, join in, associate with, or direct to be signed any petition seeking to incorporate any of the Land or seeking to include any of the Land within the boundaries of any other incorporated entity.

6.03 Annexation. The City will not annex the Land into the City any earlier than the first to occur of (a) the date that construction of water anddrainage facilities to serve 90% of the Land is complete; (b) fifteen (15) years after the Effective Date; (c) the dissolution of the District (other than as a result of annexation by the City). If the City annexes the entire area in the District, then the City will succeed to all the powers, duties, assets and obligations of the District, including but not limited to any rights and obligations under valid and duly-authorized contracts entered into by the District prior to the first notice of annexation (e.g., developer reimbursement agreement) and any bond obligations. The District will not enter into any developer reimbursement agreements or agreements for new projects or extraordinary expenses, except as necessary for continued operation and maintenance of existing District facilities, after publication of the first

notice of proposed annexation. As an alternative to the foregoing, and in the City's sole discretion, the City may exercise any options available under Chapter 43 of the Texas Local Government Code, or similar annexation laws of the State of Texas, that are in effect with regard to the provision of water and/or sewer service to areas within Water Control & Improvement Districts that are annexed by cities.

6.04 Owners Not to Contest Annexation. The Owner agrees not to contest the City's annexation of the Land pursuant to the terms of this Agreement.

6.05. Voluntary petition for annexation. Subject to the restrictions concerning when the City may annex the Land that are provided in Section 6.03, the Owners hereby agree that this Agreement constitutes a voluntary petition to the City, acting in the City's sole discretion, for annexation of the Property for full purposes under the provisions of Section 43.052(h) of the Texas Local Government Code at the time provided in Section 6.03. The City is not obligated to annex the Property for full purposes at any time.

To accomplish such annexation, the City will not need to take the following actions, all of which are waived by the Owners:

(a) adopt or amend an annexation plan to include the Property;
(b) give notice to any service providers in the area of the Property;
(c) compile an inventory of services provided to the area by both public and private entities prior to the City's annexation or make such inventory available for public inspection;
(d) complete a service plan that provides for the extension of full municipal services to the Property, other than the Service Plan;
(e) hold any public hearings; and
(f) undertake any negotiations for provision of services to the Property.

The Owners confirm and agree that, as the Owners are the sole owners of the Property as of the Effective Date, such voluntary petition may not be revoked by the Owners except as provided by this Consent, and is intended to be and shall be binding upon the Owners and their successors in interest in ownership of any right, title or interest in and to the Property or any part thereof.

Owners shall include the following language in each deed or lease of any part of the Property executed after the Effective Date, executed by or on behalf of the Owners:

> "This (conveyance or lease, as applicable) is made and accepted subject to that certain Voluntary Petition for Annexation, located in Section 6.05 of the Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1, executed by the Owners and the City of San Antonio on May 1, 2008, which permits the City of San Antonio to annex the Property upon the terms and conditions set forth therein. Acceptance of this (conveyance or lease, as applicable) shall evidence your consent and agreement to such annexation by the City and may be relied upon by the City as a beneficiary of your consent and agreement.

6.06. Waiver. The Owners irrevocably waive any and all legal requirements applicable to annexation of the Property by the City, to the fullest extent permitted by law. The Owners agree to execute any and all documents reasonably requested by the City to evidence such waiver and the consent granted.

6.07 City's acceptance. The City accepts the Owners' voluntary petition for annexation of the Property, subject to the terms and conditions of this Agreement.

6.08 Water Rates after Annexation. After annexation, the City may set rates for water and/or sewer services for property that was within the District at the time of annexation which may include a surcharge in addition to the rates charged to other ratepayers of the City for the purpose of wholly or partially compensating the City for the assumption of the District's obligations; provided that the City does not annex the area within the District until at least 90% of the Project facilities have been installed for which District bonds are authorized pursuant to this Agreement. Such additional surcharges shall be calculated to recover those District debts and other obligations assumed by the City upon annexation. The surcharge may continue for thirty (30) years after the initial District debt is issued or until the bonded indebtedness of the District has been retired, whichever occurs last, but in no case for a longer period of time than is necessary to wholly compensate the City for its assumption of the obligations of the District.

6.09 Deed Record Notice. Within thirty (30) days after the District Confirmation Date, the District shall file in the real property records of Medina County: (a) a notice in the form required by Section 49.452 of the Water Code stating that the City has the authority to annex the District subject to the limitations set forth in Section 6.03.

ARTICLE VII
TERM OF AGREEMENT

This Agreement shall be effective from the Effective Date and shall continue in effect until the District is annexed for full purposes and dissolved by the City or until terminated in writing by mutual agreement of the City and the District; provided, however, if the creation of the District has not been confirmed at an election conducted on or before May 31 2009, this Agreement will terminate without any further action by Owner or the City, on June 1, 2009.

ARTICLE VIII
ADDITIONAL PROVISIONS

8.01 Notice. Any notices, certifications, approvals, or other communications (a "Notice") required to be given by one Party to another under this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below and shall be deemed given: (a) when the Notice is delivered in person to the person to whose attention the Notice is addressed; (b) when received if the Notice is deposited in the United States Mail, certified or registered mail, return receipt requested, postage prepaid;

(c) when the Notice is delivered by Federal Express, UPS, or another nationally recognized courier service with evidence of delivery signed by any person at the delivery address; or (d) five business days after the Notice is sent by FAX (with electronic confirmation by the sending FAX machine) with a confirming copy sent by United States mail within 48 hours after the FAX is sent. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the Notice shall be extended to the first business day following the Saturday, Sunday, or legal holiday. For the purpose of giving any Notice, the addresses of the Parties are set forth below. The Parties may change the information set forth below by sending Notice of such changes to the other Party as provided in this Section 8.01.

To the City:

City Clerk
City of San Antonio, Texas
P.O. Box 839966
San Antonio, TX 78283-3966
Attn: City Manager
FAX: (2210) 207-7032

To Owner:

Hills of Lake Medina, LP
Attn: JMJ
One Hickory Center
1800 Valley View Lane
Suite 150, LB4
Dallas, Texas 75234-8942

8.02 No Waiver. Any failure by a Party to insist upon strict performance by the other 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 hereto 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.

8.03 Governing Law and Venue. **THIS AGREEMENT MUST BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AS THEY APPLY TO CONTRACTS PERFORMED WITHIN THE STATE OF TEXAS AND WITHOUT REGARD TO ANY CHOICE OF LAW RULES OR PRINCIPLES TO THE CONTRARY. THE PARTIES ACKNOWLEDGE THAT THIS AGREEMENT IS PERFORMABLE IN MEDINA COUNTY, TEXAS AND HEREBY SUBMIT TO THE JURISDICTION OF THE COURTS OF MEDINA COUNTY,**

TEXAS, AND HEREBY AGREE THAT ANY SUCH COURTS SHALL BE A PROPER FORUM FOR THE DETERMINATION OF ANY DISPUTE ARISING HEREUNDER.

8.04 Authority to Execute. Owner warrants that the execution of this Agreement is duly authorized in conformity with the articles of incorporation, bylaws, partnership agreement, or other applicable organizational documents of the Owner and that the individual executing this Agreement on behalf of the Owner has been authorized to do so.

8.05 Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances, and a new provision shall be deemed substituted in lieu of the provision so severed which new provision shall, to the extent possible, accomplish the intent of the Parties as evidenced by the provision so severed.

8.06 Changes in State or Federal Laws. If any state or federal law changes so as to make it impossible for the City or Owner to perform its obligations under this Agreement, the Parties will cooperate to amend the Agreement in such a manner that is most consistent with the original intent of the Agreement as legally possible.

8.07 Additional Documents and Acts. Owner agrees that at any time after execution of this Agreement, they will, upon the request of the City, execute and/or exchange any other documents necessary to effectuate the terms of this Agreement and perform any further acts or things as the City may reasonably request to effectuate the terms of this Agreement.

8.08 Captions. Captions and headings used in this Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

8.09 Assignment.

(a) The Owner, except in compliance with Section 8.09(b) below, may not assign this Agreement without the written consent of the City.

(b) Owner has the right, from time to time, to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to the District (after the District Confirmation Date) and to any person or entity (an "Assignee") without the consent of the City, provided that the following conditions are satisfied: (1) if not the District, Assignee is a successor owner of all or any part of the Land or is a lender to a successor owner of all or any part of the Land; (2) if

not the District, Assignee has a contractual right to be reimbursed for water or drainage improvements from District Bonds (or has a lien or other security interest in such reimbursements); (3) Assignee expressly assumes in the assignment any assigned obligations and expressly agrees in the assignment to observe, perform, and be bound by this Agreement to the extent this Agreement relates to the obligations, rights, titles, or interests assigned; and (4) a copy of the executed assignment is provided to all Parties within 15 days after execution. Provided the foregoing conditions are satisfied, from and after the date the assignment is executed by Owner and Assignee, the City agrees to look solely to Assignee for the performance of all obligations assigned to Assignee and agrees that Owner shall be released from performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations. 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. Owner shall maintain written records of all assignments made by Owner (including, for each Assignee, the Notice information required by this Agreement, and 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. It is specifically intended that this Agreement, and all terms, conditions and covenants herein, shall survive a transfer, conveyance, or assignment occasioned by the exercise of foreclosure of lien rights by a creditor or a Party, whether judicial or non-judicial. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and Assignees.

8.10 Amendment. This Agreement may be amended only with the written consent of all Parties and with approval of the governing bodies of the City.

8.11 Interpretation. The Parties acknowledge that each Party and, if it so chooses, its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. As used in this Agreement, the term "including" means "including, without limitation," and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular. Each defined term herein may be used in its singular or plural form whether or not so defined.

8.12 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties, and neither the City nor Owner intends by any provision of this Agreement to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Agreement or otherwise upon anyone other than the City and Owner.

8.13 Incorporation of Exhibits by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference for the purposes set forth herein, as follows:

Exhibit A	Map of the Land
Exhibit B	Legal description of the Land
Exhibit C	Consent Request
Exhibit D	Utility Service Agreement

8.14 Conspicuous Provisions. The City and Owner acknowledge that the provisions of this Agreement set out in **bold**, **CAPITALS** (or any combination thereof) satisfy the requirements for the express negligence rule and/or are conspicuous.

8.15 Counterpart Originals. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

ATTEST:

_____
City Clerk City Manager

CITY OF SAN ANTONIO

By: _____

Date:_____

APPROVED AS TO FORM

_____
City Attorney

OWNER:

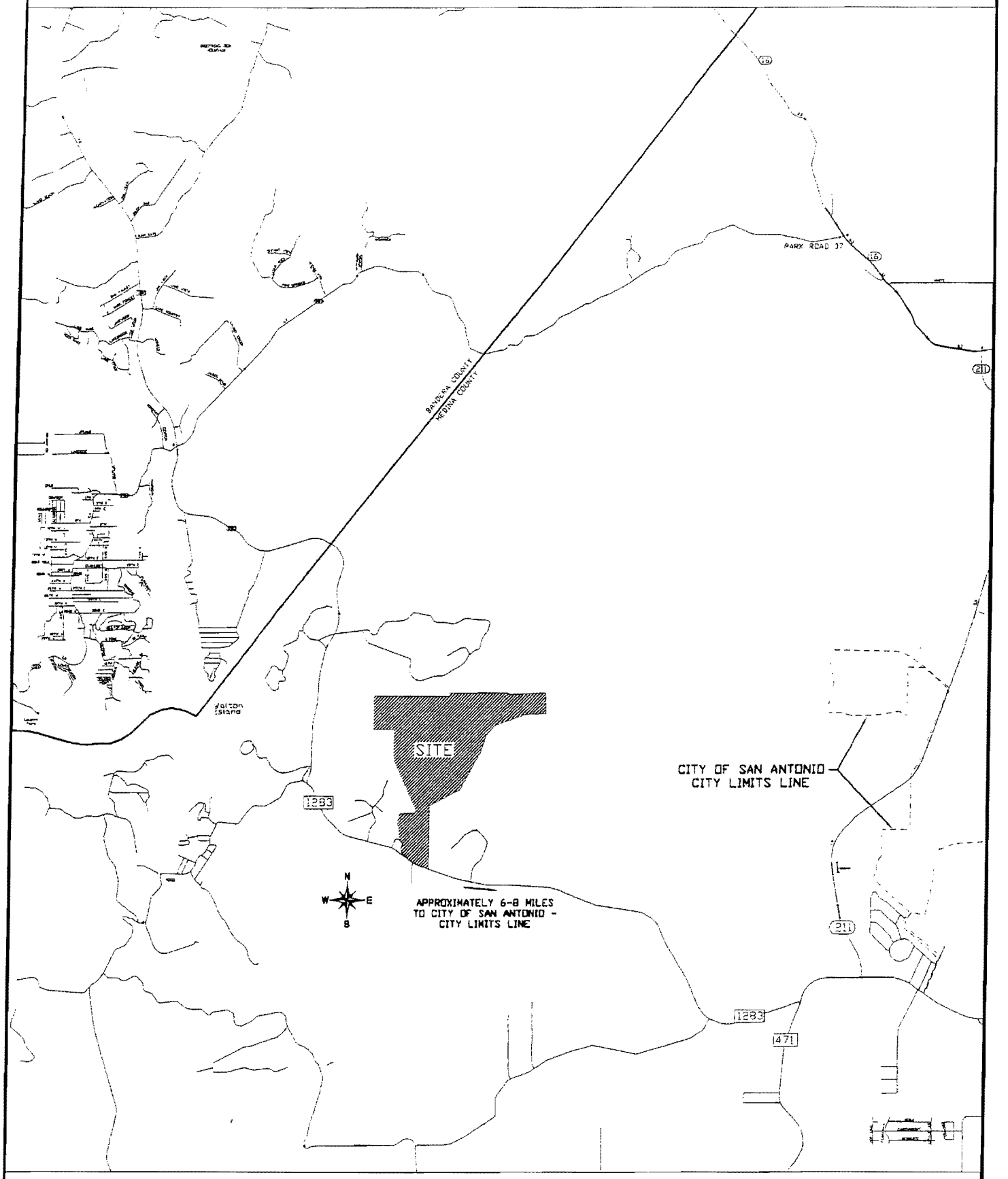
Hills of Lake Medina, L.P., a _____
Limited Partnership

By: _____,
Its General Partner

Date:_____

_____
Notary Public, State of Texas
Printed Name:_____
My Commission Expires:_____

Exhibit A
Map of Land



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

Exhibit B
Property Description

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

Exhibit C
Consent Request

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

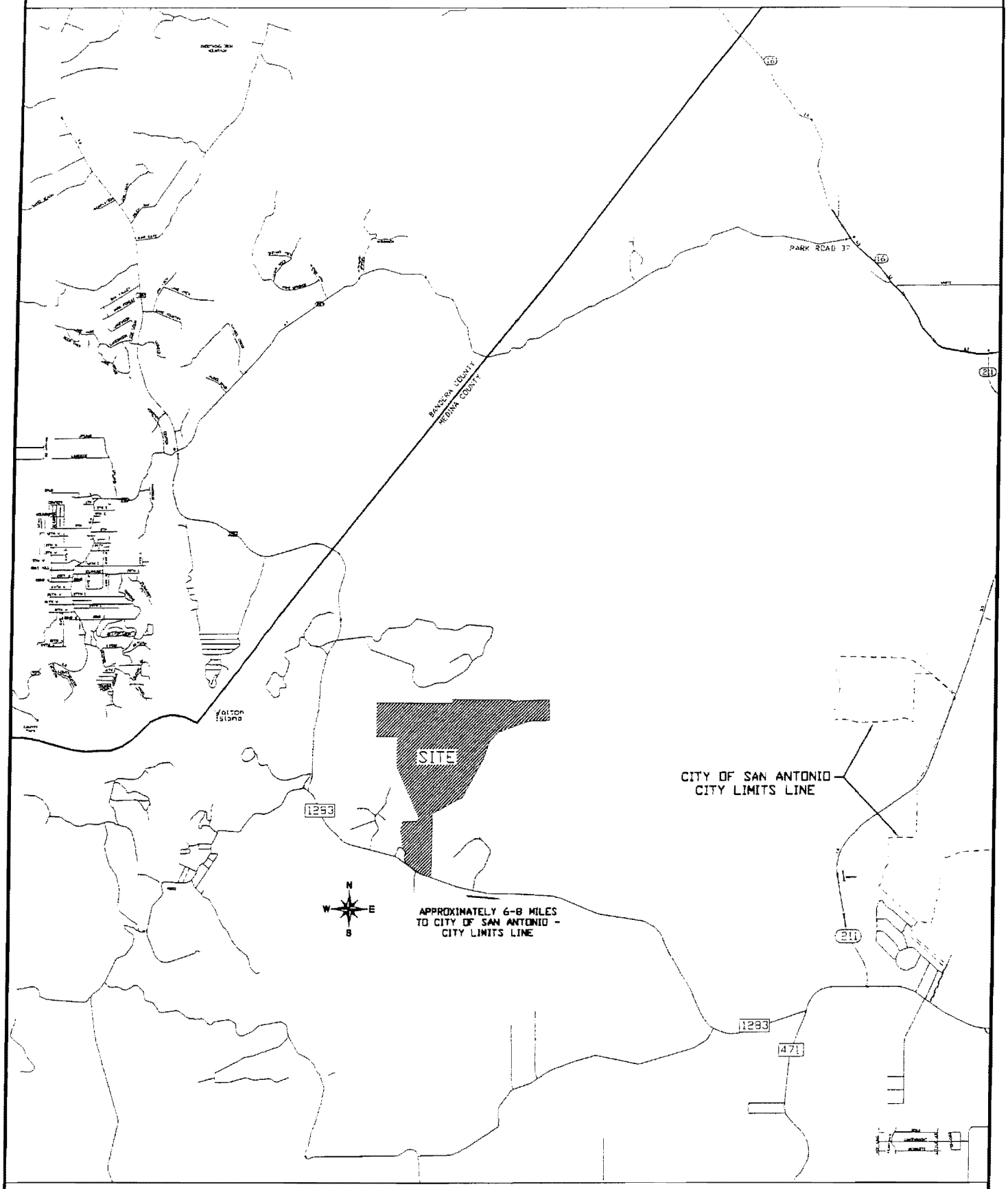
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

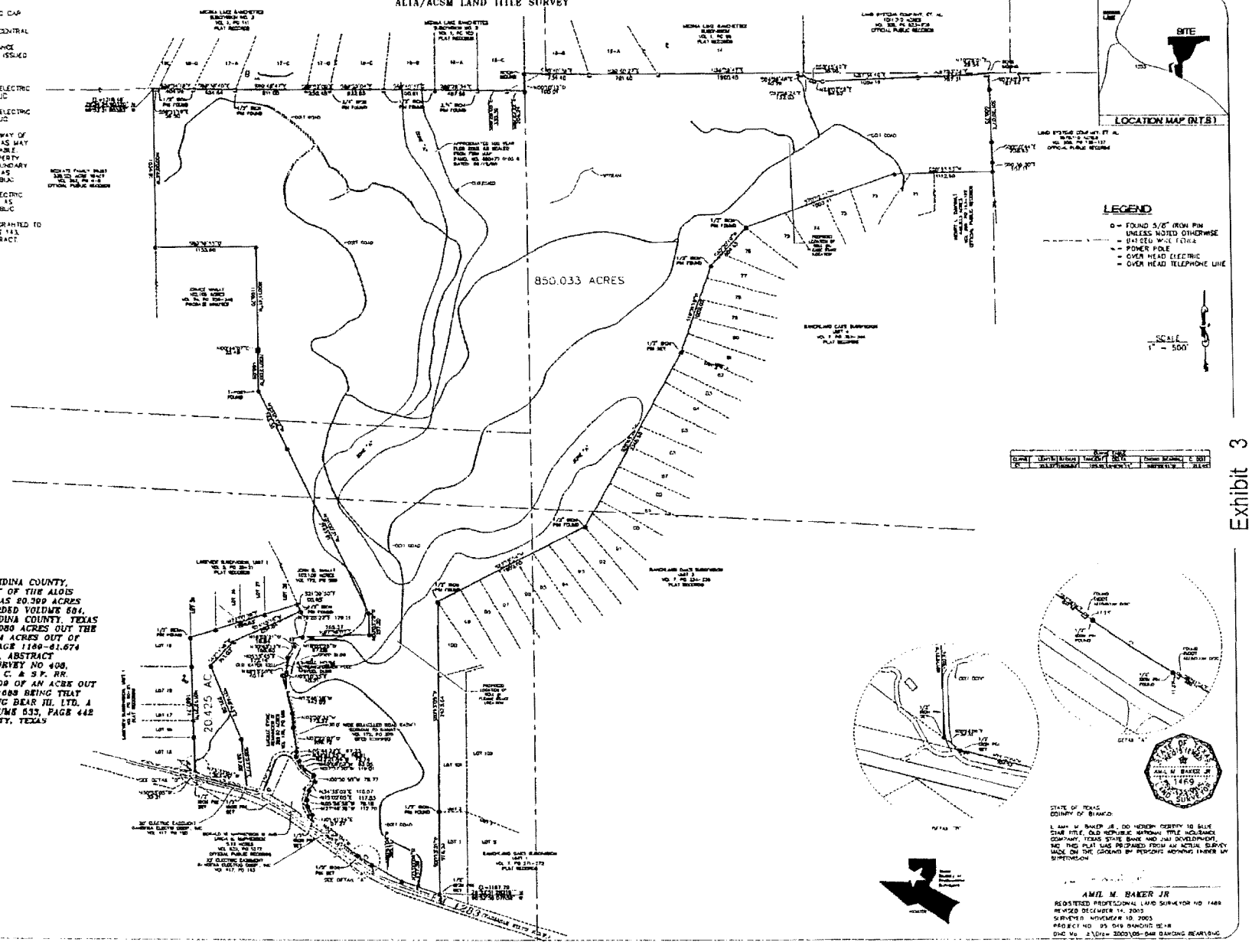
Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr.

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

ALTA/ACSM LAND TITLE SURVEY

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING."
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, G.F. NO. 0425168-CVAU EFFECTIVE DATE SEPTEMBER 12, 2005, ISSUED DATE SEPTEMBER 30, 2005.
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN.
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 150, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 792, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT.
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 517, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT. DOCUMENT NOT LEGIBLE, THEREFORE NOW PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 872, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 872, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 143, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



PLAT SHOWING:
SURVEY OF 870.458 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT 2 OF LAND OUT OF THE ALOIS HABY SURVEY NO. 398, ABSTRACT 1884, DESCRIBED AS 20.309 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 534, PAGE 727 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT 1 CONSISTING OF 154.080 ACRES OUT THE ALOIS HABY SURVEY NO. 398, ABSTRACT 1884- 6.804 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1169-61.674 ACRES OUT OF THE FRANK BURKELL SURVEY NO. 65, ABSTRACT 1817-324.307 ACRES OUT OF THE LEUPOLD HABY SURVEY NO 408, ABSTRACT 1748 AND 303.779 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1391 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1088 BEING THAT SAME 850.061 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD. A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 533, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

STATE OF TEXAS
COUNTY OF BANDERA

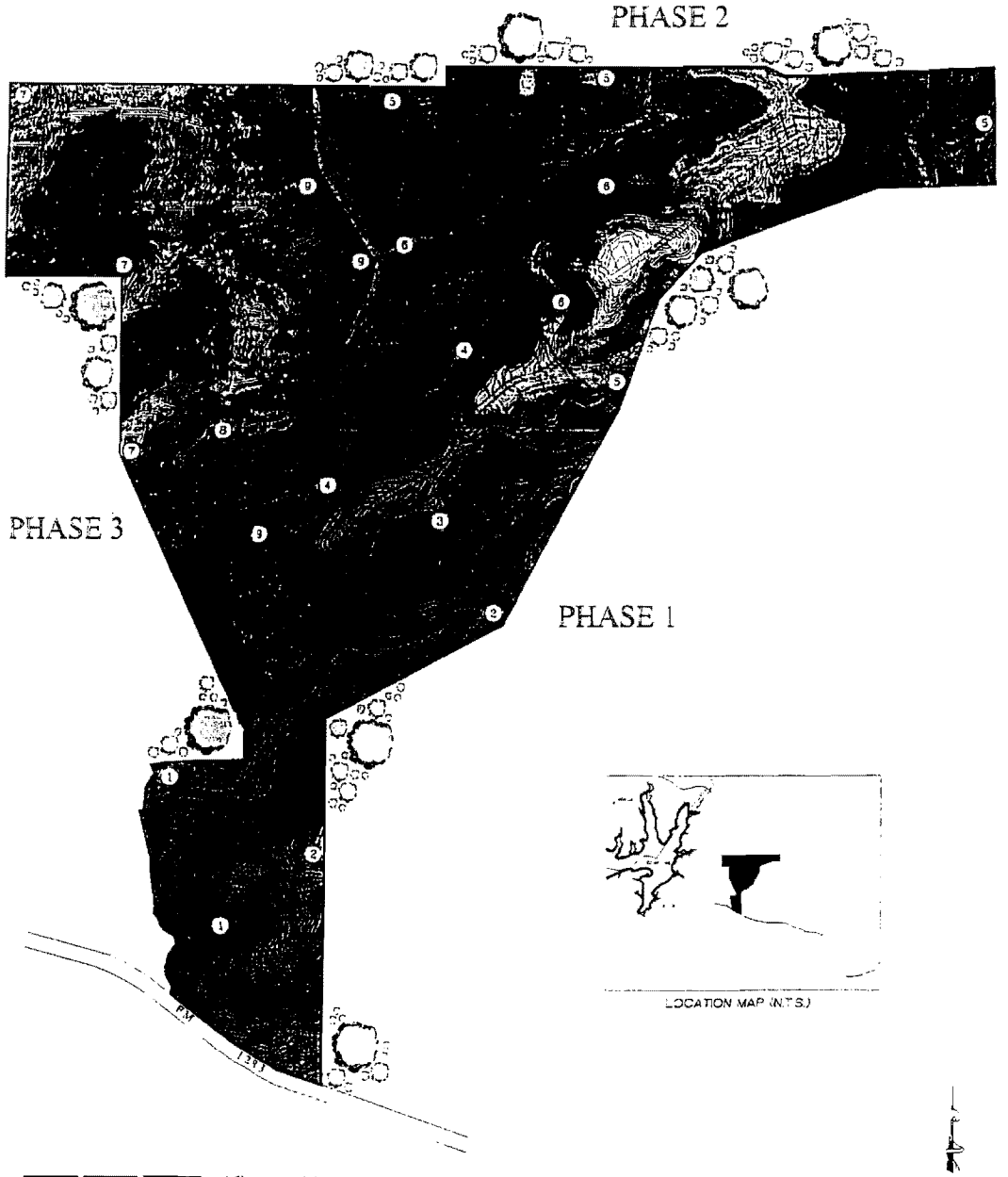
I, AMIL M. BAKER JR., DO HEREBY CERTIFY TO BLUE STAR TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND JMJ DEVELOPMENT, INC. THIS PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY PERSONS WORKING UNDER MY SUPERVISION.

AMIL M. BAKER JR
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1469
REVISED DECEMBER 14, 2005
SURVEYED NOVEMBER 10, 2005
PROJECT NO. 05-049 BANDING BEAR
DWG No. J:\Dra-2005\05-049 DANCING BEAR\DWG

BAKER SURVEYING & ENGINEERING, INC.
PH (830) 833-2230
FAX (830) 833-2797
2100 NW 291 N
BRADY, TX 76825

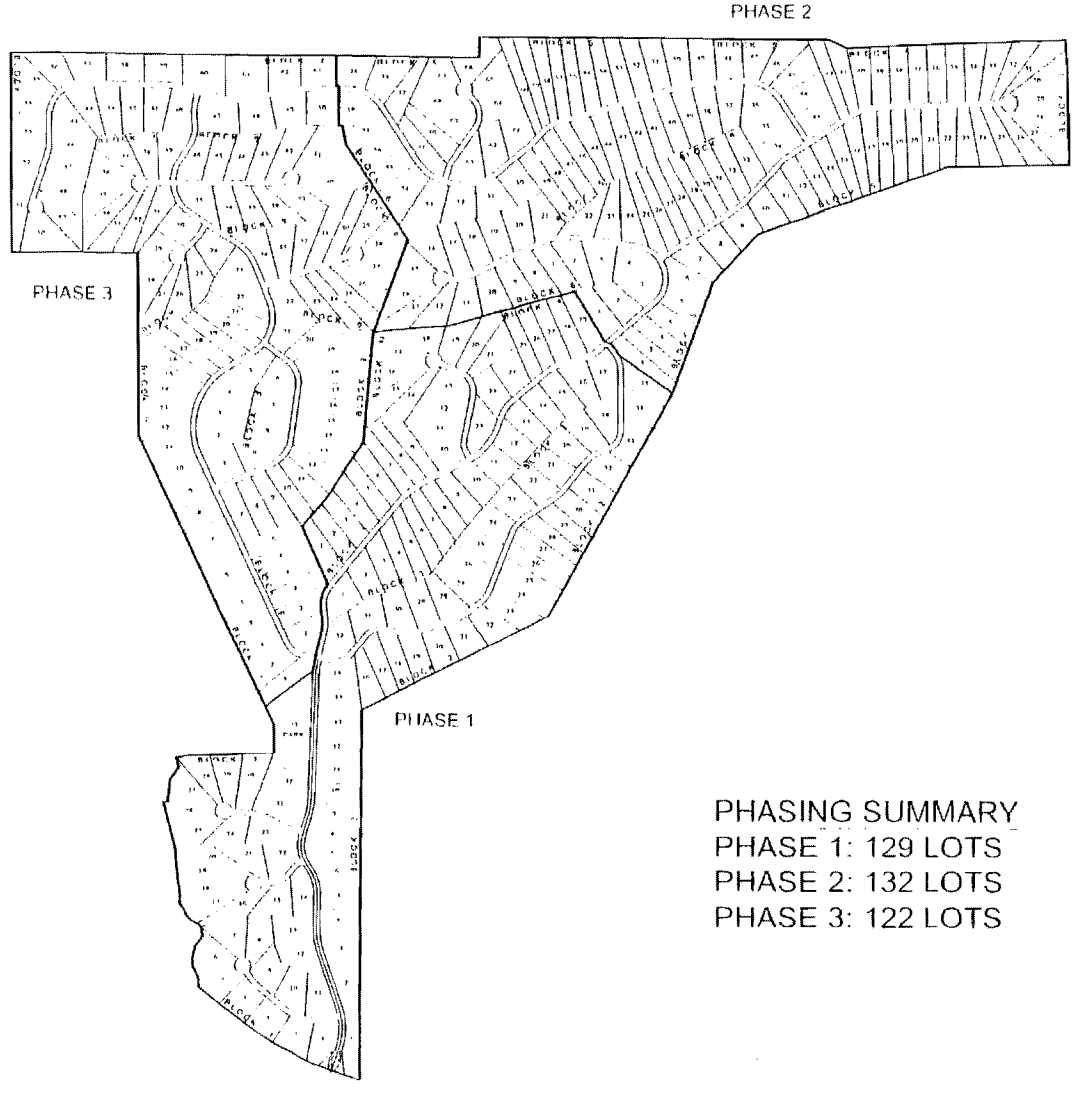
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavoyne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this ____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

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GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2. Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

G.C.6.00 **Assignment.**

This Agreement may not be assigned in whole or in part, however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 **Event of Foreclosure.**

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 **Payment for Provision of Utility Service.**

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 **Enforcement of Industrial Waste Ordinance if Required by SAWS.**

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 **Oversizing.**

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

Preparer's Initials _____

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

Preparer's Initials _____

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure/facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

Preparer's Initials _____

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

Exhibit D
Utility Service Agreement

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "King's Gate" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

Preparer's Initials ____

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials ____

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	**Developer**
David E. Chardavoyne	
By: David E. Chardavoyne	**By:** Timothy L. Boston
Title: President/Chief Executive Officer	**Title:** Managing Member
Date: 13 December 2007	**Date:** 12.7.07

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared David E. Chardavoyne known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as President / CEO for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13th **day of** December, **2007.**

(seal) EVELYN L. PITMAN Notary Public STATE OF TEXAS My Comm. Exp. 03-01-08

Evelyn L. Pitman
Notary Public

STATE OF TEXAS, COUNTY OF ~~BEXAR~~ DALLAS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Timothy L. Boston known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as Timothy L. Boston for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th **day of** December, **2007.**

(seal) LINDA A. LONG MY COMMISSION EXPIRES February 25, 2010

Linda A. Long
Notary Public

Preparer's Initials JP

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director.

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G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part; however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

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G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

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SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Based upon the May 2007 hydrological report submitted by LBG-Guyton Associates, the Developer will be required to drill a satellite water well system with a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The proposed satellite system will have a sustainable firm well capacity of 230 gpm. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Developer will be required to pay for any surface water treatment if it becomes necessary.

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

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- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- The assignee and its customers will be required to comply with current Conservation Ordinances, Chapter 34, as amended.

- The assignee and its customers will be required to comply with current rules and regulations for public water systems as established by TCEQ in Title 30 Texas Administrative Code, Chapter 290, as amended.

- The assignee will be required to meet water quality and compatibility standards, listed below, set by SAWS.

Contaminant	Units	Raw Water Design	MCL	Finished Water Goal
Primary Drinking Water Contaminant Levels				
Radium-226&228, Total	pCi/l	4.5	5.00	<3.0
Arsenic	mg/l	<0.01	0.05 [1]	<0.01
Secondary Drinking Water Contaminant Levels				
Color, True	color units	20.00	15	<3.00
Hydrogen Sulfide	mg/l	2.00	0.05	<0.03
Iron	mg/l	15.00	0.3	<0.2
Manganese	mg/l	0.30	0.05	<0.03
pH		5.50	>7.0	>7.8
Odor	T.O.N.	200.00	3	<2.5
Other Parameters				
Alkalinity, Total	mg/l as $CaCo_3$	30.00	NA	>100
Calcium	mg/l	23.00	NA	>40
Dissolved Oxygen	mg/l	0.10	NA	>2.0
Hardness, Total	mg/l as $CaCo_3$	35.00	NA	>100
Radon	pCi/l	160.00	300 [2]	<100
Specific Conductance	umhos/cm	NA	NA	350-700
TDS	ppm	NA	NA	<500
Turbidity	NTU	0.20	<0.5	<0.1
Corrosion Indices				
Langlier Saturation Index		-2.00	NA	>0.20
Ryznar Indez		10.10	NA	<7.1
Disinfection By-Products				
Bromate	mg/l	NA	0.01	<0.005
Total Trihalomethanes (TTHM)	mg/l	0.007	0.08	<0.040
Haloacetic Acids (HAA5)	mg/l	0.004	0.06	<0.030

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NOTE: Developer assumes full responsibility in case of any shortage or other problems with water supply for domestic and/or fire flow needs. If such a shortage or quality problems with water supply were to occur then SAWS would cease issuance of any and all permits or approvals for any additional water services until such time as the problems can be resolved. In the event that water is required to be pump and hauled, in order to serve this development the Developer will fund 100% of any costs for the pump and haul.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Should the hydrological report that the Developer is required to submit to SAWS pursuant to S.C. 2.00 demonstrate that a firm yield capacity of 230 gpm cannot be sustained, and should Developer request a new utility service agreement to determine how to connect to existing

SAWS infrastructure, then the new utility service agreement will provide that Water Impact Fees will be assess at the rates in effect at the time of plat recordation or the latest date allowed by law, and that impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

S.C.10.00 Water Control and Improvement District

- Developer and SAWS recognize that the Developer has requested that the City of San Antonio consent to the creation of a Water Control and Improvement District ("WCID") that will be created to finance the purchase, acquisition, and/or construction of infrastructure requirements that are described in the preceding section S.C. 2.00. The property contained in the WCID is to be the property that is described as "The Tract" in Attachment III. It is the intention of the parties to this Agreement that all rights, obligations and benefits pursuant to this Agreement may be assigned to and accepted by the WCID upon its creation.

- Upon completion of construction, Developer will convey the infrastructure to the WCID. The WCID shall then convey the infrastructure to SAWS lien free. After written acceptance, SAWS will thereafter own, operate and maintain the infrastructure at its expense, as provided in the preceding section G.C. 3.00.

- Each customer of SAWS within the WCID shall pay SAWS for water service at the applicable retail water and sewer rate charged by SAWS to its customers within the area and within the same rate class. SAWS shall not charge the WCID or the users within the WCID any additional fee, assessment or other charge for water service received from SAWS that SAWS does not charge its residential or commercial customers in the same rate class.

- Notwithstanding any provision to the contrary that is contained in this Agreement, Developer may assign this Agreement to any WCID that includes all or part of the Tract and that is created with the consent of the City of San Antonio, given by a resolution or an ordinance that is passed and approved by the City Council of the City of San Antonio.

- Should the City Council of the City of San Antonio, Texas, not consent, or should it refuse to consent to the creation of a Water Control and Improvement District that includes the Tract that is described in Attachment III, then in that event this Agreement shall immediately terminate and be of no further force or effect.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Medina County Public Works Department. Developer agrees to secure appropriate utility permits from the Medina County Public Works Department.

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ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

RESOLUTION NO. 07-194

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING UTILITY SERVICE AGREEMENTS TO PROVIDE WATER AND/OR WASTEWATER SERVICE TO THE TRACTS LISTED HEREIN, SUBJECT TO THE EXPIRATION OF SUCH AGREEMENTS IF NOT EXERCISED IN THIRTY-SIX MONTHS; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the Developer Customer(s) specified in the following table have requested the San Antonio Water System (the "System") to provide water and/or wastewater service(s), and have satisfied the requirements of the Board's Regulations for Developer Customer(s) Applicants; and

No.	Tract Name	Developer Name	Acreage	Water EDUs	WW EDUs	Board Reason
1	*201-Acre Tract	Levcor, Inc.	201	BM	1,122	AC
2	*Babcock 165	Babcock Road 165, Ltd.	165	220	220	AC/OVR
3	*Babcock Heights	Southerland Communities	283.9	245	0	AC/OVR
4	*Bloomfield	Monte Cristo Developers, LLC	198.72	250	0	AC/OVR/EARZ
5	Castle Rock Estates at Lake Medina	Hills of Lake Medina, LP	850.03	382	0	EARZ
6	Encino Commons	Encino Land Affiliates, L.P.	7.254	60	78	AC/OVR
7	Hills at Boerne Stage II	Laredo Boerne Stage, Ltd.	249	123	0	AC
8	*Horizon Pointe	Continental Homes of Texas, L.P.	461.32	1,845	282	AC/OVR
9	Lazy M	BP Real Estate Investments Ltd.	335.51	450	0	EARZ
10	Los Reyes Remainder Tract	Los Reyes, Inc.	30.66	83	83	AC/OVR
11	*Stonewall Estates	HM Stonewall Estates, Ltd.	346.217	450	444	AC
12	Texas Best Travel Center	BK Metro Land Co, Ltd.	104.6	473	523	AC
13	*Voelcker Ranch 119-Acre Tract	KB Home LoneStar, L.P.	119	633	549	AC
14	Walker Tract	Unified Investment	56	315	315	

		Group				
Totals			**3,408**	**5,529**	**3,616**	
Year-to-Date Totals (January-April 2007)			**6,405**	**10,781**	**11,848**	

*The noted Utility Service Agreements (USAs) have been previously approved by the Board and require a new approval due to an increase of water/wastewater EDUs, acres or oversizing. The year to date totals include totals which have already been previously approved.

WHEREAS, the Developer Customer(s) provisions to acquire water and/or wastewater services within the System's jurisdiction is generally illustrated in the attached Project Site Maps; and

WHEREAS, the Developer Customer is obligated to pay the prescribed fees and to comply with other applicable requirements as set forth in the Regulations for Water and/or Wastewater Service; and

WHEREAS, the USA titled "201-Acre Tract", a 201-acre tract, includes a portion of a tract previously approved by the San Antonio Water System Board of Trustees, approved on March 21, 2006 through Resolution 06-075. This USA will replace the previously approved USA. The Developer has revised their request for water and wastewater EDUs; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock 165 Tract", a 165-acre tract, was previously approved by the San Antonio Water System Board of Trustees on February 7, 2006 through Resolution 06-036. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock Heights Tract", a 284-acre tract, was previously approved by the San Antonio Water System Board of Trustees on December 5, 2006 through Resolution 06-360. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Bloomfield Tract", a 199-acre tract, was previously approved by the San Antonio Water System Board of Trustees on March 6, 2006. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required, and

WHEREAS, the USA titled "Horizon Pointe Tract", a 461-acre tract, was previously approved by the San Antonio Water System Board of Trustees on April 18, 2006 through Resolution 06-118. The Developer has revised their request for wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Stonewall Estates Tract", a 346-acre tract, was previously approved by the San Antonio Water System Board of Trustees on October 6, 2006 through Resolution 06-292. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Voelcker Ranch 119-Acre Tract", a 119-acre tract, was previously approved by the San Antonio Water System Board of Trustees on November 7, 2006 through Resolution 06-325. The Developer has revised their request for water and wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to agree to provide water and/or wastewater service to the proposed tract(s), as described above, and (ii) to provide that these agreement(s) will be honored for a period of thirty-six months, and that if not exercised during this period, the utility service agreements will expire; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the San Antonio Water System hereby agrees to provide water and/or wastewater service to the proposed tract(s), as generally illustrated in the attached Project Site Maps hereto, on a Developer Customer basis as provided for in the Board's Regulations, applicable amendments to the Regulations, and any other applicable federal, state or local regulations.

2. That each agreement shall be honored for a period of thirty-six months, and if not exercised during this thirty-six-month period, the utility service agreement will expire.

3. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.

4. If any part, section, paragraph, sentence, phrase or word of this resolution is for any reason held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.

5. This resolution shall take effect immediately from and after its passage.

PASSED AND APPROVED this 3rd day of April, 2007.

Alexander E. Briseño, Chairman

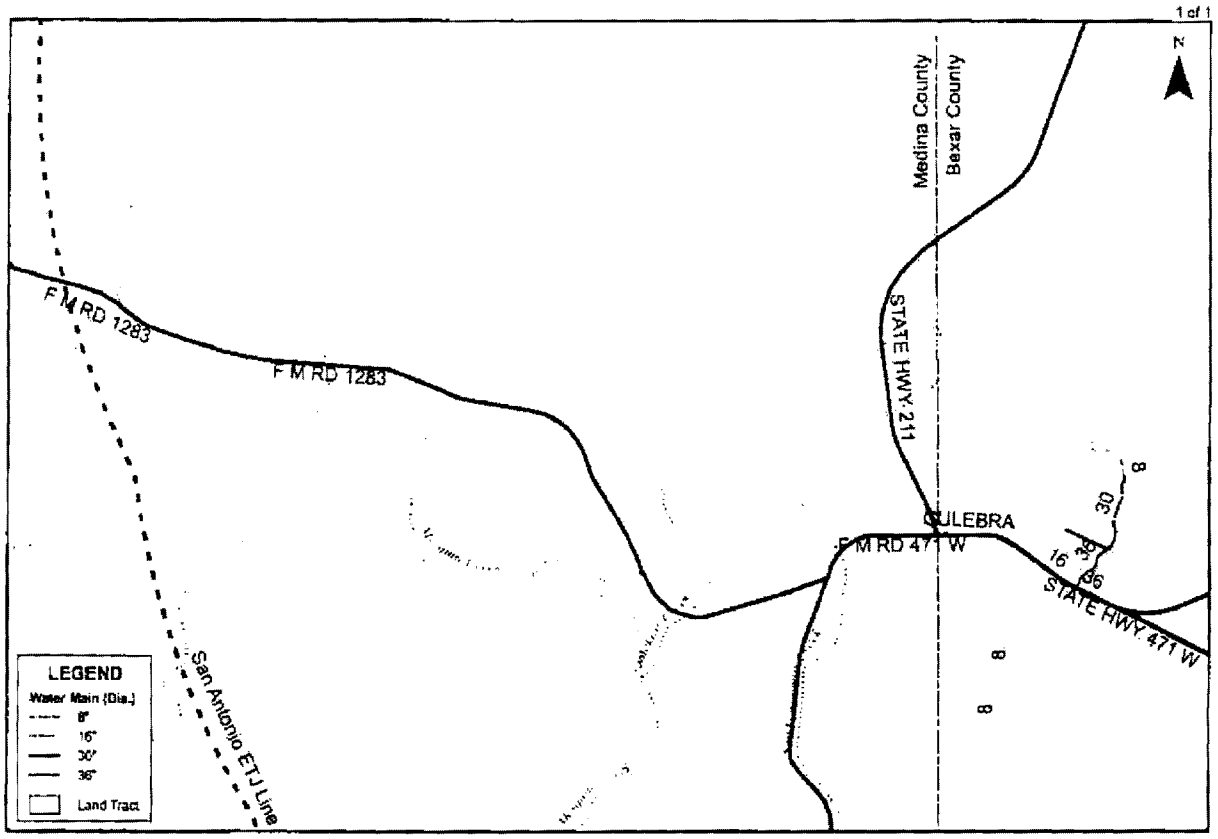
ATTEST:

Salvadore M. Hernández, Secretary

WATER MAP

5

CASTLE ROCK ESTATES AT LAKE MEDINA
850 Acres



Water Requirements:

Water Supply to the tract will be from Pressure Zone (PZ) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing PZ 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a capacity of 400 gpm into the Trinity Aquifer that can sustain a firm yield capacity of 230 gpm. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS. If the hydrogeological report indicates that the firm yield cannot be sustained, the Developer will be required to connect to the existing SAWS infrastructure located approximately 5.5 miles southeast of the proposed property.

- Construct a 300,000 gallon ground storage tank at a hydraulically practical location

- Construct an 8,000 gallon hydro-pneumatic tank and firm service pump capacity of 2,100 gpm located at the tank site.

- Provide 12-inch interconnect mains at the following locations, northern, eastern and western boundaries for PZ 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- Provide a Groundwater Availability Model (GAM) indicating the permanent influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable by SAWS, the Developer will be allowed the ultimate demand of 382 as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

DRAFT
04/30/08

AGREEMENT CONCERNING CREATION OF MEDINA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

This Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1 (this "Agreement") is entered into by the City of San Antonio, a Texas Home Rule City situated in Bexar County, Texas, (the "City"), and Hills of Lake Medina, L.P. (the "Owner").

ARTICLE I
RECITALS

WHEREAS, the Owner represents that it is the owner of approximately 850 acres in Medina County, Texas, as shown on Exhibit A and described on Exhibit B attached to this Agreement (the "Land"). The Land lies entirely within the City's extraterritorial jurisdiction ("ETJ"); and

WHEREAS, the Owner filed a written request with the City on June 24, 2007, seeking the City's consent to the creation of the District, and clarified its request on August 23, 2007, with more project details (the "Consent Request"); and

WHEREAS, the purposes of this Agreement are to set out the mutually agreeable terms and conditions relating to the creation and operation of the District, which include the provisions under which the City has adopted its Resolution consenting to the creation of the District and consistent with Section 42.042 of the Texas Local Government Code; and

WHEREAS, on May 1, 2008, pursuant to the Consent Request, and Owners' request for consideration on that day, the City Council of the City adopted Resolution No. 2008R-05-01-____ consenting to the creation of the District (the "Consent Resolution"), which approved, and is subject to, the terms and conditions of this Agreement;

NOW THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions hereinafter set forth, the Parties contract and agree as follows:

ARTICLE II
DEFINITIONS

"Agreement" means this Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1.

"Assignee" means a successor to Owner as defined in Section 8.09(b) of this Agreement.

"Attorney General" means the Attorney General of the State of Texas.

"Board" means the Board of Directors of the District.

"Bond" means (a) any instrument, including a bond, note, certificate of participation, certificate of obligation, or other instrument evidencing a proportionate interest in payments, due to be paid by the District, or (b) any other type of obligation that (1) is issued or incurred by the District under the District's borrowing power, without regard to whether it is subject to annual appropriation, and (2) is represented by an instrument issued in bearer or registered form or is not represented by an instrument but the transfer of which is registered on books maintained for that purpose by or on behalf of the District. The term shall include obligations issued to refund outstanding Bonds, but shall not include reimbursement agreements entered into between the District and a developer of the Land or bond anticipation notes.

"CCN" means a certificate of convenience and necessity or similar permit issued by the TCEQ authorizing a specified entity to be the retail water or sewer service provider in a specified area.

"City" means the City of San Antonio, Texas, a Home Rule City located in Bexar County, Texas.

"City Council" means the City Council of the City.

"City Manager" means the City Manager of the City.

"City Engineer" means one or more engineers hired or engaged to work for the City.

"City Review Fees" means: (a) the fees and charges applicable to the City's preliminary and final plat review and approval process according to the fee schedule adopted by the City Council and in effect on the date of submittal of each plat application; and (b) fees and charges applicable to the review of plans relating to construction of Infrastructure according to the fee schedule adopted by the City Council and in effect on the date of submittal of such plans.

"Consent Request" means the written request submitted by Owner and filed with the City on June 24, 2007, and amended on August 23, 2007, seeking the City's consent to the creation of the District, both letters attached as Exhibit C to this Agreement.

"Consent Resolution" means the Resolution No. ___ adopted May 1, 2008 by the City Council that approves this Agreement and that contains the City's consent to the creation of the District.

"Contractor" means a person or entity that constructs, alters or repairs Infrastructure required to serve the Land.

"District" means the Medina County Water Control & Improvement District No. 1, a district created pursuant to Article XVI, Section 59 of the Texas Constitution to be

created contiguous with the Land.

"District Confirmation Date" means the date on which the Board canvasses the results of the election held within the District confirming the creation of the District.

"Effective Date" means the effective date of this Agreement and is May 1, 2008 the effective date of the City's adoption of the Consent Resolution.

"ETJ" means the extraterritorial jurisdiction of a city as defined by the Texas Local Government Code, as amended.

"Infrastructure" means all water facilities, drainage infrastructure and the facilities related to those improvements installed or constructed to serve the Land, whether located within or outside the Land.

"Land" means that certain approximately 850 acre tract located in Bexar County, Texas as shown on Exhibit A and described on Exhibit B.

"Notice" means notice as defined in Section 8.01 of this Agreement.

"Owner" means Hills of Lake Medina, L.P., its successors and Assignees as permitted by this Agreement.

"Party" means, individually, the City, the Owner, or the District, their successors and their Assignees as permitted by this Agreement, collectively "Parties."

"SAWS" means the San Antonio Water System, an agency of the City of San Antonio.

"TCEQ" means the Texas Commission on Environmental Quality or its successor state agency.

"USA" means the Utility Service Agreement signed on December 13, 2007 between SAWS and the Owner, attached as Exhibit D.

"Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE III
CONSENT TO CREATION

In accordance with the terms of the Agreement, the City consents to the creation of the District over the Land and the calling and holding of an election within the District to confirm the creation of the District. The City further acknowledges that the purpose of the District, among other matters, to construct, finance or have constructed, water and other improvements within the District's boundaries and that the District will have the authority to issue bonds for such purposes.

ARTICLE IV
CONSTRUCTION, OPERATION, MAINTENANCE AND INSPECTION OF DISTRICT WATER FACILITIES

4.01 Infrastructure Standards. The Owner and the District shall, at no cost to the City or SAWS, construct infrastructure in accordance with plans and specifications that have been approved by SAWS. All infrastructure shall be designed and constructed in compliance with: (a) the USA, including the rules and regulations of SAWS, (b) the rules and regulations, if any, of the District; so long as they are not in conflict with the rules and regulations of SAWS, and (c) the rules and regulations of TCEQ.

ARTICLE V
CONVERSION, ANNEXATION OR DISANNEXATION BY DISTRICT

The District shall not: (a) annex any additional lands to the District; (b) convert into another type of district; (c) consolidate with another district; or (d) divide into two or more new districts without prior City Council approval.

ARTICLE VI
ANNEXATION OF DISTRICT BY CITY

6.01 General Terms. The Parties acknowledge and agree that the Land lies wholly within the City's ETJ; is not bordered by another city, town, or village. The Parties further acknowledge that the creation of the District, and the City's consent thereto, are for purposes that include promoting the orderly development and extension of City services to the Land upon annexation.

6.02 Incorporation. In furtherance of the purposes of this Agreement, the District and the Owner, on behalf of themselves and their respective successors and Assignees covenant and agree to the extent allowed by law that, except upon written consent of the City Council, neither the District nor the Owner will: (a) seek or support any effort to incorporate the Land or any part thereof; or (b) sign, join in, associate with, or direct to be signed any petition seeking to incorporate any of the Land or seeking to include any of the Land within the boundaries of any other incorporated entity.

6.03 Annexation. The City will not annex the Land into the City any earlier than the first to occur of (a) the date that construction of water and drainage facilities to serve 90% of the Land is complete; (b) fifteen (15) years after the Effective Date; or (c) the dissolution of the District (other than as a result of annexation by the City). If the City annexes the entire area in the District, then the City will succeed to all the powers, duties, assets and obligations of the District, including but not limited to any rights and obligations under valid and duly-authorized contracts entered into by the District prior to the first notice of annexation (e.g., developer reimbursement agreement) and any bond obligations. The District will not enter into any developer reimbursement agreements or agreements for new projects or extraordinary expenses, except as necessary for continued operation and maintenance of existing District facilities, after publication of the first

notice of proposed annexation. As an alternative to the foregoing, and in the City's sole discretion, the City may exercise any options available under Chapter 43 of the Texas Local Government Code, or similar annexation laws of the State of Texas, that are in effect with regard to the provision of water and/or sewer service to areas within Water Control & Improvement Districts that are annexed by cities.

6.04 Owners Not to Contest Annexation. The Owner agrees not to contest the City's annexation of the Land pursuant to the terms of this Agreement.

6.05. Voluntary petition for annexation. Subject to the restrictions concerning when the City may annex the Land that are provided in Section 6.03, the Owners hereby agree that this Agreement constitutes a voluntary petition to the City, acting in the City's sole discretion, for annexation of the Property for full purposes under the provisions of Section 43.052(h) of the Texas Local Government Code at the time provided in Section 6.03. The City is not obligated to annex the Property for full purposes at any time.

To accomplish such annexation, the City will not need to take the following actions, all of which are waived by the Owners:

(a) adopt or amend an annexation plan to include the Property;
(b) give notice to any service providers in the area of the Property;
(c) compile an inventory of services provided to the area by both public and private entities prior to the City's annexation or make such inventory available for public inspection;
(d) complete a service plan that provides for the extension of full municipal services to the Property, other than the Service Plan;
(e) hold any public hearings; and
(f) undertake any negotiations for provision of services to the Property.

The Owners confirm and agree that, as the Owners are the sole owners of the Property as of the Effective Date, such voluntary petition may not be revoked by the Owners except as provided by this Consent, and is intended to be and shall be binding upon the Owners and their successors in interest in ownership of any right, title or interest in and to the Property or any part thereof.

Owners shall include the following language in each deed or lease of any part of the Property executed after the Effective Date, executed by or on behalf of the Owners:

> "This (conveyance or lease, as applicable) is made and accepted subject to that certain Voluntary Petition for Annexation, located in Section 6.05 of the Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1, executed by the Owners and the City of San Antonio on May 1, 2008, which permits the City of San Antonio to annex the Property upon the terms and conditions set forth therein. Acceptance of this (conveyance or lease, as applicable) shall evidence your consent

and agreement to such annexation by the City and may be relied upon by the City as a beneficiary of your consent and agreement.

6.06. Waiver. The Owners irrevocably waive any and all legal requirements applicable to annexation of the Property by the City, to the fullest extent permitted by law. The Owners agree to execute any and all documents reasonably requested by the City to evidence such waiver and the consent granted.

6.07 City's acceptance. The City accepts the Owners' voluntary petition for annexation of the Property, subject to the terms and conditions of this Agreement.

6.08 Water Rates after Annexation. After annexation, the City may set rates for water and/or sewer services for property that was within the District at the time of annexation which may include a surcharge in addition to the rates charged to other ratepayers of the City for the purpose of wholly or partially compensating the City for the assumption of the District's obligations; provided that the City does not annex the area within the District until at least 90% of the Project facilities have been installed for which District bonds are authorized pursuant to this Agreement. Such additional surcharges shall be calculated to recover those District debts and other obligations assumed by the City upon annexation. The surcharge may continue for thirty (30) years after the initial District debt is issued or until the bonded indebtedness of the District has been retired, whichever occurs last, but in no case for a longer period of time than is necessary to wholly compensate the City for its assumption of the obligations of the District.

6.09 Deed Record Notice. Within thirty (30) days after the District Confirmation Date, the District shall file in the real property records of Medina County: (a) a notice in the form required by Section 49.452 of the Water Code stating that the City has the authority to annex the District subject to the limitations set forth in Section 6.03.

ARTICLE VII
TERM OF AGREEMENT

This Agreement shall be effective from the Effective Date and shall continue in effect until the District is annexed for full purposes and dissolved by the City or until terminated in writing by mutual agreement of the City and the District; provided, however, if the creation of the District has not been confirmed at an election conducted on or before May 31 2009, this Agreement will terminate without any further action by the Owner or the City, on June 1, 2009.

ARTICLE VIII
ADDITIONAL PROVISIONS

8.01 Notice. Any notices, certifications, approvals, or other communications (a "Notice") required to be given by one Party to another under this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below and shall be deemed given: (a) when the Notice is delivered in person to the person to whose attention the Notice is addressed; (b) when received if the Notice is deposited in the

United States Mail, certified or registered mail, return receipt requested, postage prepaid; (c) when the Notice is delivered by Federal Express, UPS, or another nationally recognized courier service with evidence of delivery signed by any person at the delivery address; or (d) five business days after the Notice is sent by FAX (with electronic confirmation by the sending FAX machine) with a confirming copy sent by United States mail within 48 hours after the FAX is sent. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the Notice shall be extended to the first business day following the Saturday, Sunday, or legal holiday. For the purpose of giving any Notice, the addresses of the Parties are set forth below. The Parties may change the information set forth below by sending Notice of such changes to the other Party as provided in this Section 8.01.

To the City:

City Clerk
City of San Antonio, Texas
P.O. Box 839966
San Antonio, TX 78283-3966
Attn: City Manager
FAX: (2210) 207-7032

To Owner:

Hills of Lake Medina, LP
Attn: Timothy L. Barton, Managing Member,
JMJ Lake Medina, LLC,
its General Partner
One Hickory Center
1800 Valley View Lane
Suite 150, LB4
Dallas, Texas 75234-8942

8.02 No Waiver. Any failure by a Party to insist upon strict performance by the other 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 hereto 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.

8.03 Governing Law and Venue. **THIS AGREEMENT MUST BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AS THEY APPLY TO CONTRACTS PERFORMED WITHIN THE STATE OF TEXAS AND WITHOUT REGARD TO ANY CHOICE OF LAW RULES OR PRINCIPLES TO THE CONTRARY. THE PARTIES**

ACKNOWLEDGE THAT THIS AGREEMENT IS PERFORMABLE IN MEDINA COUNTY, TEXAS AND HEREBY SUBMIT TO THE JURISDICTION OF THE COURTS OF MEDINA COUNTY, TEXAS, AND HEREBY AGREE THAT ANY SUCH COURTS SHALL BE A PROPER FORUM FOR THE DETERMINATION OF ANY DISPUTE ARISING HEREUNDER.

8.04 Authority to Execute. The Owner warrants that the execution of this Agreement is duly authorized in conformity with the articles of incorporation, bylaws, partnership agreement, or other applicable organizational documents of the Owner and that the individual executing this Agreement on behalf of the Owner has been authorized to do so.

8.05 Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances, and a new provision shall be deemed substituted in lieu of the provision so severed which new provision shall, to the extent possible, accomplish the intent of the Parties as evidenced by the provision so severed.

8.06 Changes in State or Federal Laws. If any state or federal law changes so as to make it impossible for the City or Owner to perform its obligations under this Agreement, the Parties will cooperate to amend the Agreement in such a manner that is most consistent with the original intent of the Agreement as legally possible.

8.07 Additional Documents and Acts. Owner agrees that at any time after execution of this Agreement, they will, upon the request of the City, execute and/or exchange any other documents necessary to effectuate the terms of this Agreement and perform any further acts or things as the City may reasonably request to effectuate the terms of this Agreement.

8.08 Captions. Captions and headings used in this Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

8.09 Assignment.

(a) The Owner, except in compliance with Section 8.09(b) below, may not assign this Agreement without the written consent of the City.

(b) The Owner has the right, from time to time, to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to the District (after the District Confirmation Date) and to any person or entity (an "Assignee") without the consent of the City, provided that the following

conditions are satisfied: (1) if not the District, Assignee is a successor owner of all or any part of the Land or is a lender to a successor owner of all or any part of the Land; (2) if not the District, Assignee has a contractual right to be reimbursed for water or drainage improvements from District Bonds (or has a lien or other security interest in such reimbursements); (3) Assignee expressly assumes in the assignment any assigned obligations and expressly agrees in the assignment to observe, perform, and be bound by this Agreement to the extent this Agreement relates to the obligations, rights, titles, or interests assigned; and (4) a copy of the executed assignment is provided to all Parties within 15 days after execution. Provided the foregoing conditions are satisfied, from and after the date the assignment is executed by the Owner and Assignee, the City agrees to look solely to Assignee for the performance of all obligations assigned to Assignee and agrees that the Owner shall be released from performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations. No assignment by the Owner shall release the Owner from any liability that resulted from an act or omission by the Owner that occurred prior to the effective date of the assignment. The Owner shall maintain written records of all assignments made by Owner (including, for each Assignee, the Notice information required by this Agreement, and 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. It is specifically intended that this Agreement, and all terms, conditions and covenants herein, shall survive a transfer, conveyance, or assignment occasioned by the exercise of foreclosure of lien rights by a creditor or a Party, whether judicial or non-judicial. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and Assignees. Notwithstanding the above, all conveyances of infrastructure to SAWS shall be free of any encumbrance, lien, debt or impairment, in accordance with the terms of the USA.

8.10 Amendment. This Agreement may be amended only with the written consent of all Parties and with approval of the governing bodies of the City.

8.11 Interpretation. The Parties acknowledge that each Party and, if it so chooses, its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. As used in this Agreement, the term "including" means "including, without limitation," and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular. Each defined term herein may be used in its singular or plural form whether or not so defined.

8.12 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties, and neither the City nor Owner intends by any provision of this Agreement to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Agreement or otherwise upon anyone other than the City and Owner.

8.13 Incorporation of Exhibits by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference for the purposes set forth herein, as follows:

Exhibit A	Map of the Land
Exhibit B	Legal description of the Land
Exhibit C	Consent Request
Exhibit D	Utility Service Agreement

8.14 Conspicuous Provisions. The City and Owner acknowledge that the provisions of this Agreement set out in **bold**, **CAPITALS** (or any combination thereof) satisfy the requirements for the express negligence rule and/or are conspicuous.

8.15 Counterpart Originals. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

CITY OF SAN ANTONIO

By: _____
City Manager

Date: _____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM

_____
City Attorney

OWNER:
Hills of Lake Medina, L.P.
by: JMJ/Lake Medina, LLC,
Its General Partner

By: _____
Timothy L. Barton, Managing Member

Date: _____

The State of Texas
County of _____

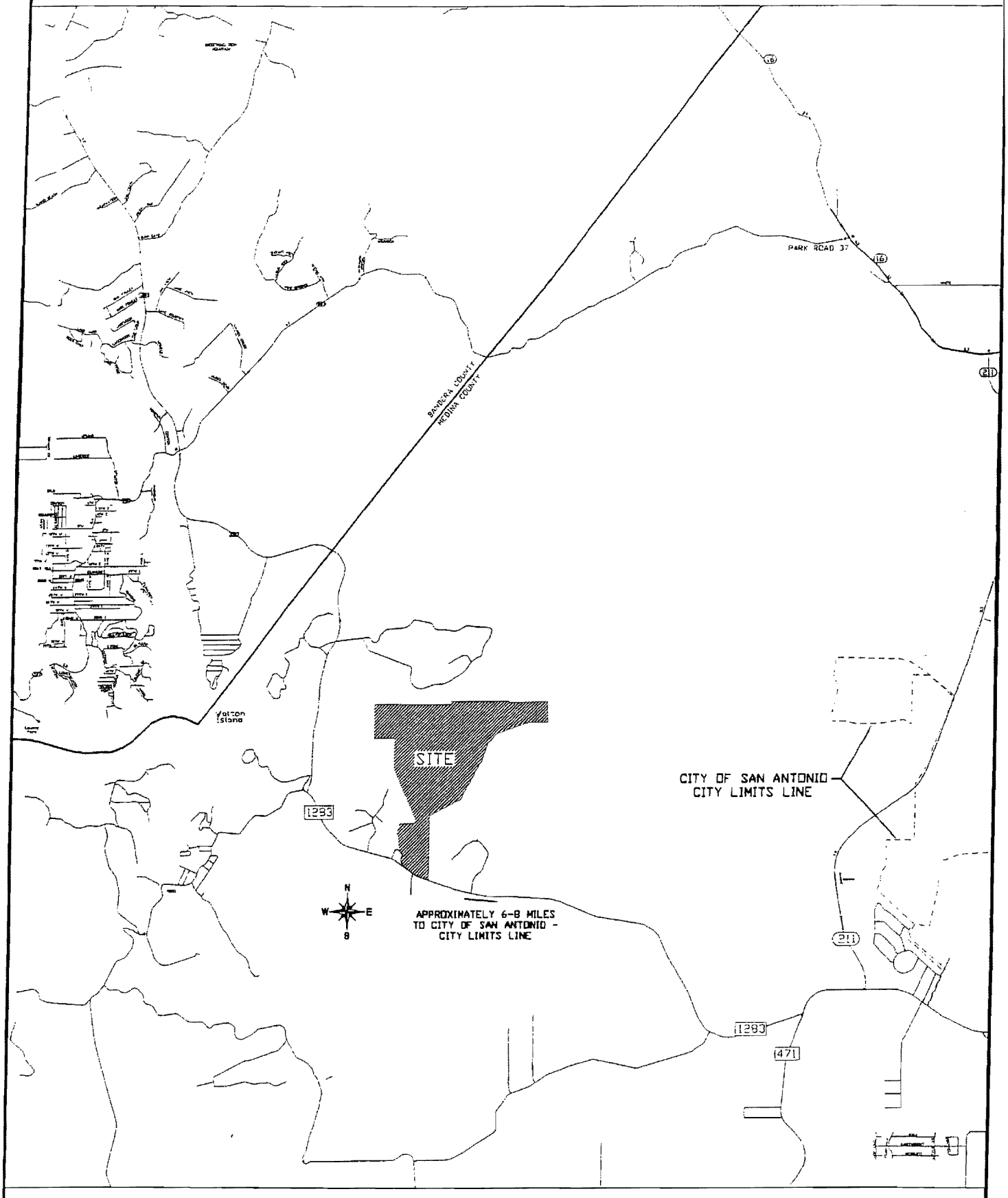
This instrument was acknowledged before me on _____, 2008, by Timothy L. Barton, Managing Member of JMJ/Lake Medina, LLC, General Partner of Hills of Lake Medina, L.P., property owner within the District.

_____
Notary Public, State of Texas
(PERSONALIZED SEAL)

_____
(Print name of Notary Public here)

My commission expires the_____
day of _____2008.

Exhibit A
Map of Land



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

Exhibit B
Property Description

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

Exhibit C
Consent Request

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

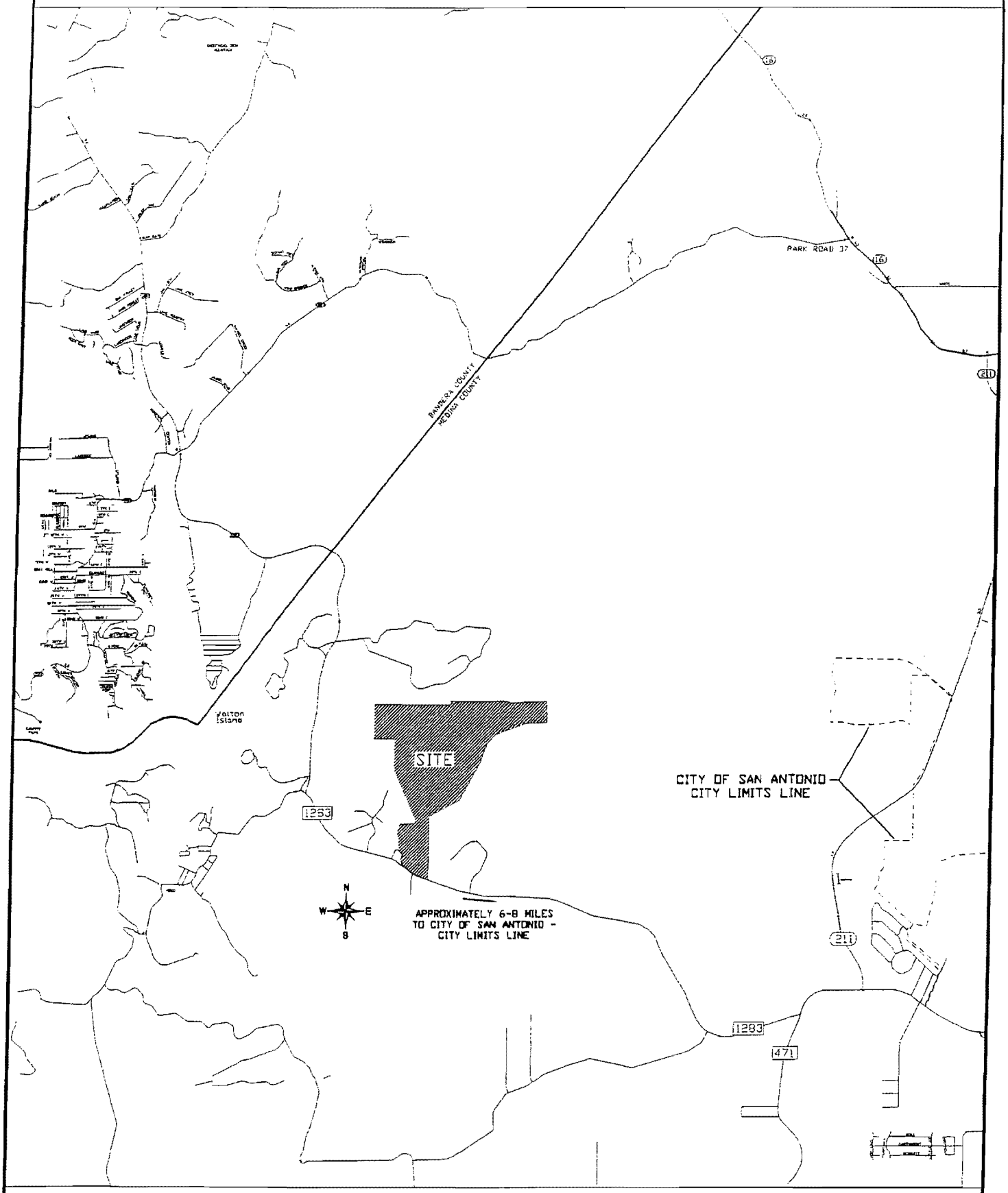
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

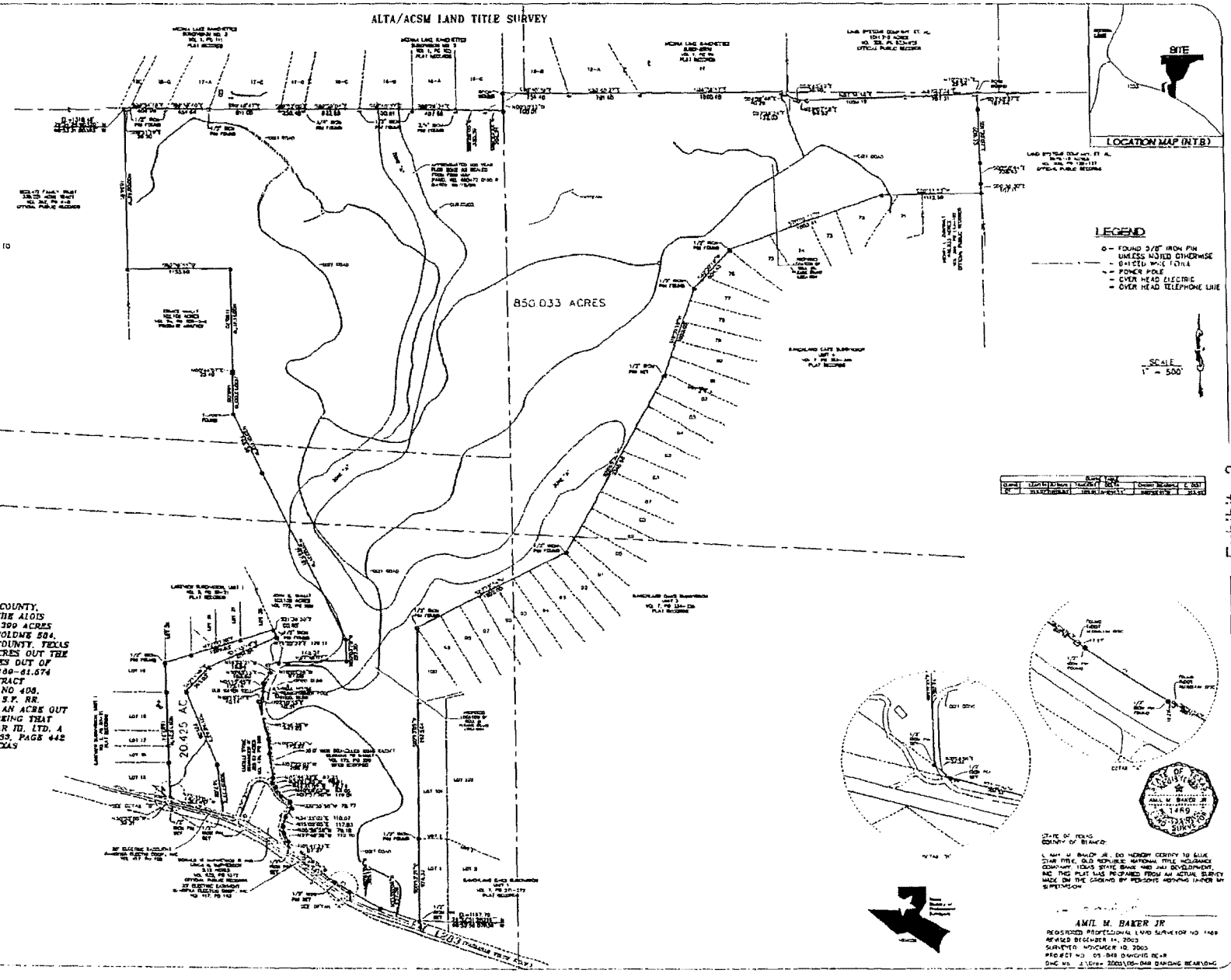
Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

ALTA/ACSM LAND TITLE SURVEY

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING"
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, G.F. NO. 0425168-CHAU EFFECTIVE DATE SEPTEMBER 12, 2005, ISSUED DATE SEPTEMBER 30, 2005.
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 130 OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 792, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT.
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 217, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT. DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 873, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 873, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 143, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



PLAT SHOWING:
SURVEY OF 870.466 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT 2 OF LAND OUT OF THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1874, DESCRIBED AS 20.390 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 504, PAGE 787 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT 1 CONSISTING OF 154.080 ACRES OUT THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1874~ 8.504 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1160~61.574 ACRES OUT OF THE FRUME BURRELL SURVEY NO. 65, ABSTRACT 1817~324.397 ACRES OUT OF THE LEUPOLD HABY SURVEY NO 408, ABSTRACT 1748 AND 303.779 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1291 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1688 BEING THAT SAME 850.031 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD, A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 539, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER SURVEYING & ENGINEERING, INC.
PH (830) 833-2326
FAX (830) 833-2327
9330 IH 35 N
SAN ANTONIO, TX 78233

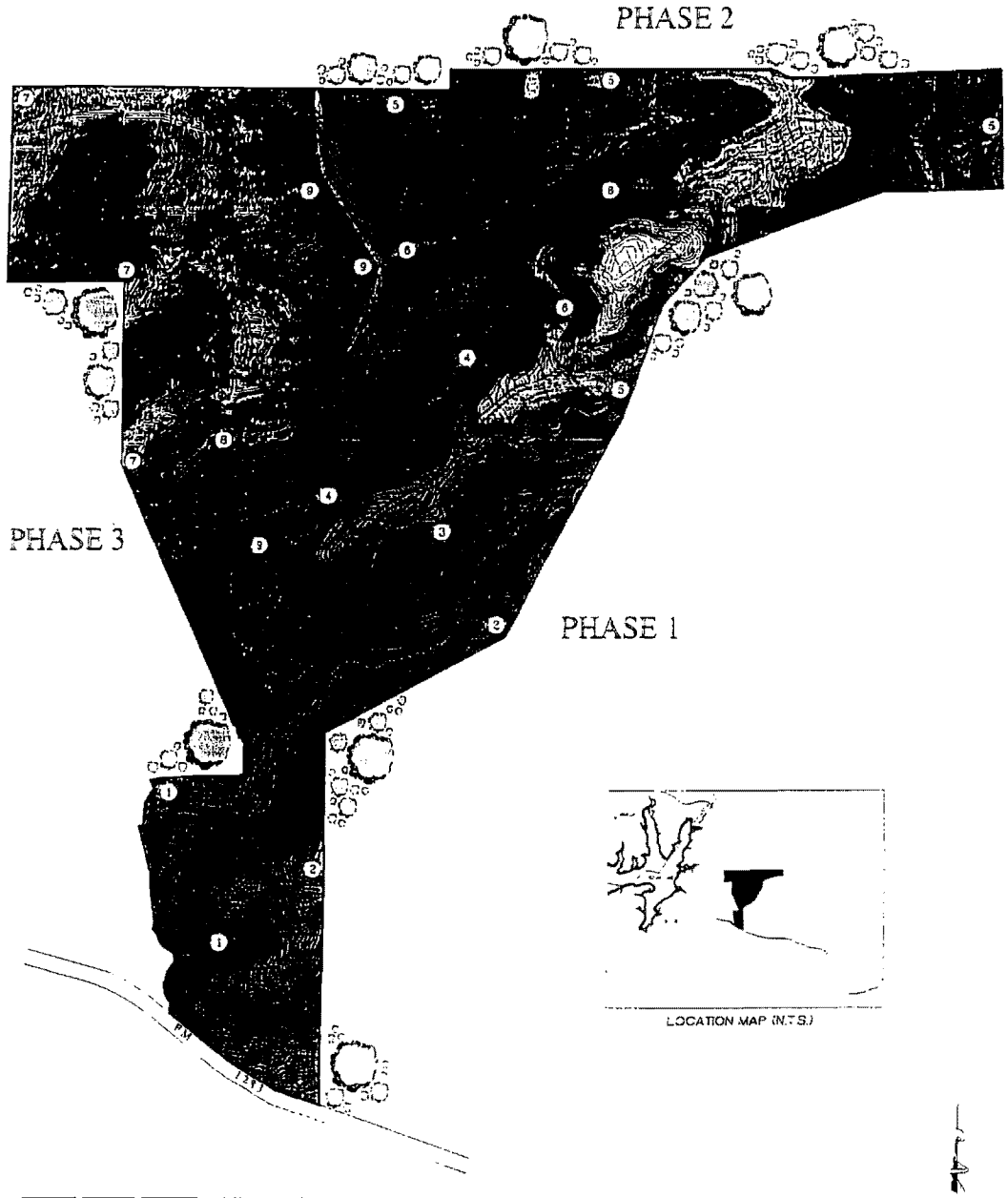
STATE OF TEXAS
COUNTY OF BEXAR:

I, AMIL H. BAKER JR., DO HEREBY CERTIFY TO BLUE STAR TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND JMJ DEVELOPMENT, INC. THAT PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY PERSONS WORKING UNDER MY SUPERVISION.

AMIL H. BAKER JR.
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1489
REVISED DECEMBER 14, 2005
SURVEYED NOVEMBER 10, 2005
PROJECT NO. 05-048 DANCING BEAR
DWG NO. J:\Dra-2005\05-048 DANCING BEAR\DWG

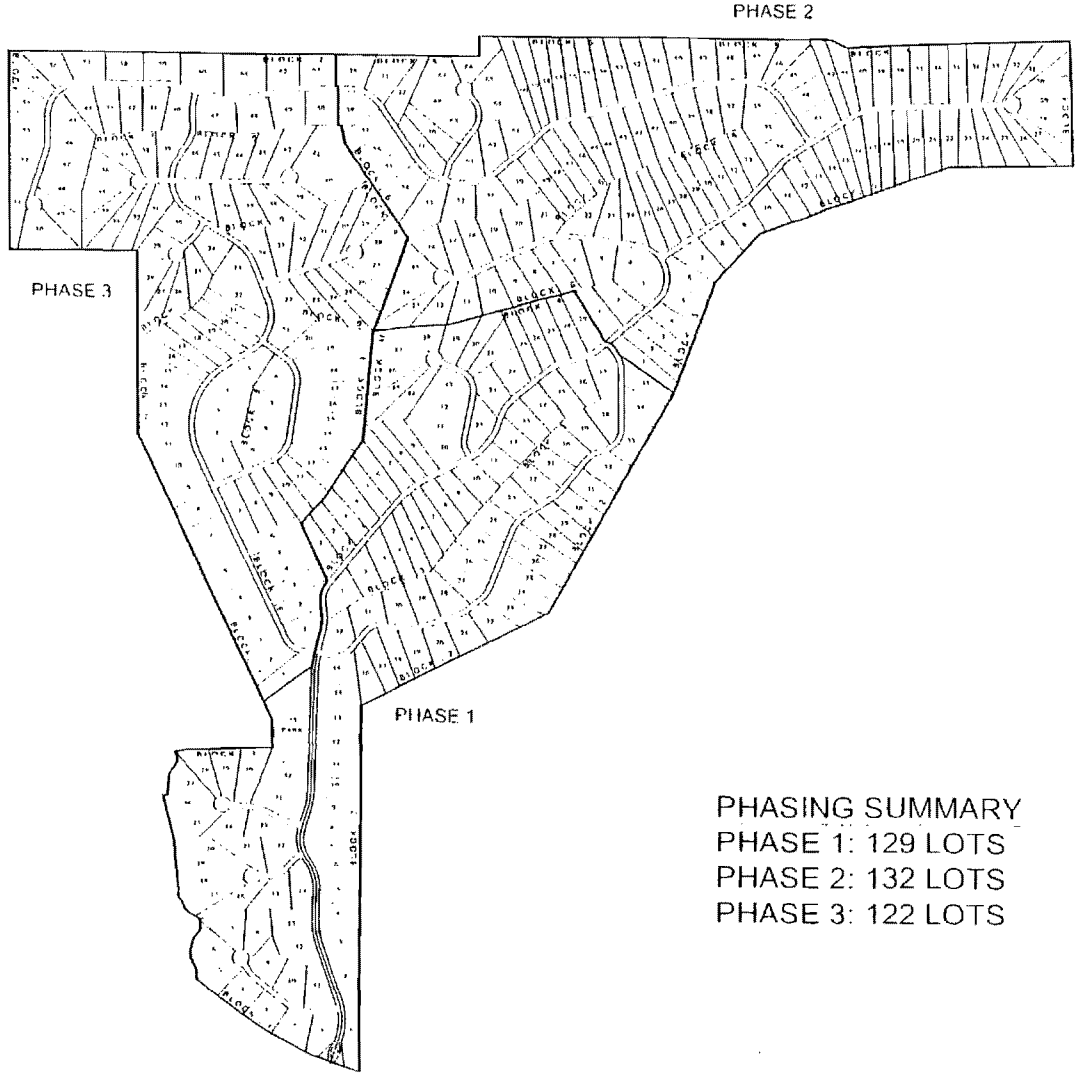
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

PRELIMINARY

EXHIBIT

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavoyne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

DRAFT

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 **Definitions.**

G.C.1.01 **Developer.**

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 **Director of Infrastructure Planning.**

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 **Definition of Terms.**

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2. Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 **Required Submittals.**

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 **Dedication to SAWS.**

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 **Design and Construction Requirements.**

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 **Joint Venture Agreements.**

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part, however. Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for over-sizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

DRAFT

SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

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- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

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S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure/facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

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ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

Exhibit D
Utility Service Agreement

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "King's Gate" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

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servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

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4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

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7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

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ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	**Developer**
David E. Chardavoyne	
By: David E. Chardavoyne	**By:** Timothy L. Boston
Title: President/Chief Executive Officer	**Title:** Managing Member
Date: 13 December 2007	**Date:** 12.7.07

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared David E. Chardavoyne known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as President / CEO for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13th **day of** December, **2007.**

(seal) EVELYN L. PITMAN Notary Public STATE OF TEXAS My Comm. Exp. 03-01-08

Evelyn L. Pitman
Notary Public

STATE OF TEXAS, COUNTY OF ~~BEXAR~~ DALLAS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Timothy L. Boston known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as Timothy L. Boston for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th **day of** December, **2007.**

(seal) LINDA A. LONG MY COMMISSION EXPIRES February 25, 2010

Linda A. Long
Notary Public

Preparer's Initials JM

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director.

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G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part; however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for over-sizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

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G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

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SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Based upon the May 2007 hydrological report submitted by LBG-Guyton Associates, the Developer will be required to drill a satellite water well system with a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The proposed satellite system will have a sustainable firm well capacity of 230 gpm. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Developer will be required to pay for any surface water treatment if it becomes necessary.

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

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- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- The assignee and its customers will be required to comply with current Conservation Ordinances, Chapter 34, as amended.
- The assignee and its customers will be required to comply with current rules and regulations for public water systems as established by TCEQ in Title 30 Texas Administrative Code, Chapter 290, as amended.
- The assignee will be required to meet water quality and compatibility standards, listed below, set by SAWS.

Contaminant	Units	Raw Water Design	MCL	Finished Water Goal
Primary Drinking Water Contaminant Levels				
Radium-226&228, Total	pCi/l	4.5	5.00	<3.0
Arsenic	mg/l	<0.01	0.05 [1]	<0.01
Secondary Drinking Water Contaminant Levels				
Color, True	color units	20.00	15	<3.00
Hydrogen Sulfide	mg/l	2.00	0.05	<0.03
Iron	mg/l	15.00	0.3	<0.2
Manganese	mg/l	0.30	0.05	<0.03
pH		5.50	>7.0	>7.8
Odor	T.O.N.	200.00	3	<2.5
Other Parameters				
Alkalinity, Total	mg/l as $CaCo_3$	30.00	NA	>100
Calcium	mg/l	23.00	NA	>40
Dissolved Oxygen	mg/l	0.10	NA	>2.0
Hardness, Total	mg/l as $CaCo_3$	35.00	NA	>100
Radon	pCi/l	160.00	300 [2]	<100
Specific Conductance	umhos/cm	NA	NA	350-700
TDS	ppm	NA	NA	<500
Turbidity	NTU	0.20	<0.5	<0.1
Corrosion Indices				
Langlier Saturation Index		-2.00	NA	>0.20
Ryznar Indez		10.10	NA	<7.1
Disinfection By-Products				
Bromate	mg/l	NA	0.01	<0.005
Total Trihalomethanes (TTHM)	mg/l	0.007	0.08	<0.040
Haloacetic Acids (HAA5)	mg/l	0.004	0.06	<0.030

Preparer's Initials ___

NOTE: Developer assumes full responsibility in case of any shortage or other problems with water supply for domestic and/or fire flow needs. If such a shortage or quality problems with water supply were to occur then SAWS would cease issuance of any and all permits or approvals for any additional water services until such time as the problems can be resolved. In the event that water is required to be pump and hauled, in order to serve this development the Developer will fund 100% of any costs for the pump and haul.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Should the hydrological report that the Developer is required to submit to SAWS pursuant to S.C. 2.00 demonstrate that a firm yield capacity of 230 gpm cannot be sustained, and should Developer request a new utility service agreement to determine how to connect to existing

SAWS infrastructure, then the new utility service agreement will provide that Water Impact Fees will be assess at the rates in effect at the time of plat recordation or the latest date allowed by law, and that impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

S.C.10.00 Water Control and Improvement District

- Developer and SAWS recognize that the Developer has requested that the City of San Antonio consent to the creation of a Water Control and Improvement District ("WCID") that will be created to finance the purchase, acquisition, and/or construction of infrastructure requirements that are described in the preceding section S.C. 2.00. The property contained in the WCID is to be the property that is described as "The Tract" in Attachment III. It is the intention of the parties to this Agreement that all rights, obligations and benefits pursuant to this Agreement may be assigned to and accepted by the WCID upon its creation.

- Upon completion of construction, Developer will convey the infrastructure to the WCID. The WCID shall then convey the infrastructure to SAWS lien free. After written acceptance, SAWS will thereafter own, operate and maintain the infrastructure at its expense, as provided in the preceding section G.C. 3.00.

- Each customer of SAWS within the WCID shall pay SAWS for water service at the applicable retail water and sewer rate charged by SAWS to its customers within the area and within the same rate class. SAWS shall not charge the WCID or the users within the WCID any additional fee, assessment or other charge for water service received from SAWS that SAWS does not charge its residential or commercial customers in the same rate class.

- Notwithstanding any provision to the contrary that is contained in this Agreement, Developer may assign this Agreement to any WCID that includes all or part of the Tract and that is created with the consent of the City of San Antonio, given by a resolution or an ordinance that is passed and approved by the City Council of the City of San Antonio.

- Should the City Council of the City of San Antonio, Texas, not consent, or should it refuse to consent to the creation of a Water Control and Improvement District that includes the Tract that is described in Attachment III, then in that event this Agreement shall immediately terminate and be of no further force or effect.

Preparer's Initials ___

SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Medina County Public Works Department. Developer agrees to secure appropriate utility permits from the Medina County Public Works Department.

Preparer's Initials ___

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

RESOLUTION NO. 07-104

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING UTILITY SERVICE AGREEMENTS TO PROVIDE WATER AND/OR WASTEWATER SERVICE TO THE TRACTS LISTED HEREIN, SUBJECT TO THE EXPIRATION OF SUCH AGREEMENTS IF NOT EXERCISED IN THIRTY-SIX MONTHS; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the Developer Customer(s) specified in the following table have requested the San Antonio Water System (the "System") to provide water and/or wastewater service(s), and have satisfied the requirements of the Board's Regulations for Developer Customer(s) Applicants; and

No.	Tract Name	Developer Name	Acreage	Water EDUs	WW EDUs	Board Reason
1	*201-Acre Tract	Levcor, Inc.	201	BM	1,122	AC
2	*Babcock 165	Babcock Road 165, Ltd.	165	220	220	AC/OVR
3	*Babcock Heights	Southerland Communities	283.9	245	0	AC/OVR
4	*Bloomfield	Monte Cristo Developers, LLC	198.72	250	0	AC/OVR/EARZ
5	Castle Rock Estates at Lake Medina	Hills of Lake Medina, LP	850.03	382	0	EARZ
6	Encino Commons	Encino Land Affiliates, L.P.	7.254	60	78	AC/OVR
7	Hills at Boerne Stage II	Laredo Boerne Stage, Ltd.	249	123	0	AC
8	*Horizon Pointe	Continental Homes of Texas, L.P.	461.32	1,845	282	AC/OVR
9	Lazy M	BP Real Estate Investments Ltd.	335.51	450	0	EARZ
10	Los Reyes Remainder Tract	Los Reyes, Inc.	30.66	83	83	AC/OVR
11	*Stonewall Estates	HM Stonewall Estates, Ltd.	346.217	450	444	AC
12	Texas Best Travel Center	BK Metro Land Co, Ltd.	104.6	473	523	AC
13	*Voelcker Ranch 119-Acre Tract	KB Home LoneStar, L.P.	119	633	549	AC
14	Walker Tract	Unified Investment	56	315	315	

		Group				
Totals			**3,408**	**5,529**	**3,616**	
Year-to-Date Totals (January-April 2007)			**6,405**	**10,781**	**11,848**	

*The noted Utility Service Agreements (USAs) have been previously approved by the Board and require a new approval due to an increase of water/wastewater EDUs, acres or oversizing. The year to date totals include totals which have already been previously approved.

WHEREAS, the Developer Customer(s) provisions to acquire water and/or wastewater services within the System's jurisdiction is generally illustrated in the attached Project Site Maps; and

WHEREAS, the Developer Customer is obligated to pay the prescribed fees and to comply with other applicable requirements as set forth in the Regulations for Water and/or Wastewater Service; and

WHEREAS, the USA titled "201-Acre Tract", a 201-acre tract, includes a portion of a tract previously approved by the San Antonio Water System Board of Trustees, approved on March 21, 2006 through Resolution 06-075. This USA will replace the previously approved USA. The Developer has revised their request for water and wastewater EDUs; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock 165 Tract", a 165-acre tract, was previously approved by the San Antonio Water System Board of Trustees on February 7, 2006 through Resolution 06-036. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock Heights Tract", a 284-acre tract, was previously approved by the San Antonio Water System Board of Trustees on December 5, 2006 through Resolution 06-360. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Bloomfield Tract", a 199-acre tract, was previously approved by the San Antonio Water System Board of Trustees on March 6, 2006. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required, and

WHEREAS, the USA titled "Horizon Pointe Tract", a 461-acre tract, was previously approved by the San Antonio Water System Board of Trustees on April 18, 2006 through Resolution 06-118. The Developer has revised their request for wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Stonewall Estates Tract", a 346-acre tract, was previously approved by the San Antonio Water System Board of Trustees on October 6, 2006 through Resolution 06-292. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Voelcker Ranch 119-Acre Tract", a 119-acre tract, was previously approved by the San Antonio Water System Board of Trustees on November 7, 2006 through Resolution 06-325. The Developer has revised their request for water and wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to agree to provide water and/or wastewater service to the proposed tract(s), as described above, and (ii) to provide that these agreement(s) will be honored for a period of thirty-six months, and that if not exercised during this period, the utility service agreements will expire; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the San Antonio Water System hereby agrees to provide water and/or wastewater service to the proposed tract(s), as generally illustrated in the attached Project Site Maps hereto, on a Developer Customer basis as provided for in the Board's Regulations, applicable amendments to the Regulations, and any other applicable federal, state or local regulations.

2. That each agreement shall be honored for a period of thirty-six months, and if not exercised during this thirty-six-month period, the utility service agreement will expire.

3. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.

4. If any part, section, paragraph, sentence, phrase or word of this resolution is for any reason held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.

5. This resolution shall take effect immediately from and after its passage.

PASSED AND APPROVED this 3rd day of April, 2007.

Alexander E. Briseño, Chairman

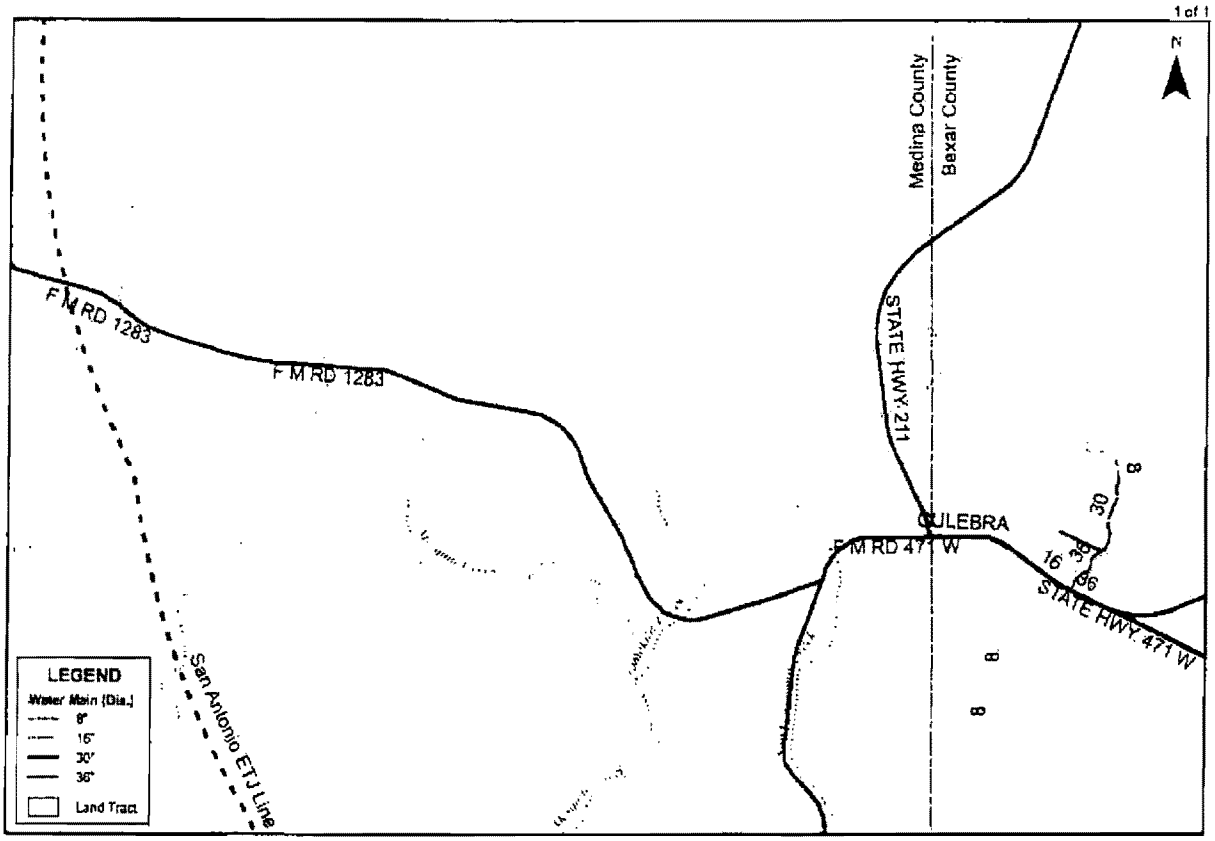
ATTEST:

Salvadore M. Hernández, Secretary

WATER MAP

5

CASTLE ROCK ESTATES AT LAKE MEDINA
850 Acres



Water Requirements:

Water Supply to the tract will be from Pressure Zone (PZ) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing PZ 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a capacity of 400 gpm into the Trinity Aquifer that can sustain a firm yield capacity of 230 gpm. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS. If the hydrogeological report indicates that the firm yield cannot be sustained, the Developer will be required to connect to the existing SAWS infrastructure located approximately 5.5 miles southeast of the proposed property.

- Construct a 300,000 gallon ground storage tank at a hydraulically practical location

- Construct an 8,000 gallon hydro-pneumatic tank and firm service pump capacity of 2,100 gpm located at the tank site.

- Provide 12-inch interconnect mains at the following locations, northern, eastern and western boundaries for PZ 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- Provide a Groundwater Availability Model (GAM) indicating the permanent influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable by SAWS, the Developer will be allowed the ultimate demand of 382 as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

AGREEMENT CONCERNING CREATION OF MEDINA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

This Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1 (this "Agreement") is entered into by the City of San Antonio, a Texas Home Rule City situated in Bexar County, Texas, (the "City"), and Hills of Lake Medina, L.P. (the "Owner").

ARTICLE I
RECITALS

WHEREAS, the Owner represents that it is the owner of approximately 850 acres in Medina County, Texas, as shown on Exhibit A and described on Exhibit B attached to this Agreement (the "Land"). The Land lies entirely within the City's extraterritorial jurisdiction ("ETJ"); and

WHEREAS, the Owner filed a written request with the City on June 24, 2007, seeking the City's consent to the creation of the District, and clarified its request on August 23, 2007, with more project details (the "Consent Request"); and

WHEREAS, the purposes of this Agreement are to set out the mutually agreeable terms and conditions relating to the creation and operation of the District, which include the provisions under which the City has adopted its Resolution consenting to the creation of the District and consistent with Section 42.042 of the Texas Local Government Code; and

WHEREAS, on May 1, 2008, pursuant to the Consent Request, and Owners' request for consideration on that day, the City Council of the City adopted Resolution No. 2008-05-01-0024R consenting to the creation of the District (the "Consent Resolution"), which approved, and is subject to, the terms and conditions of this Agreement;

NOW THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions hereinafter set forth, the Parties contract and agree as follows:

ARTICLE II
DEFINITIONS

"Agreement" means this Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1.

"Assignee" means a successor to Owner as defined in Section 8.09(b) of this Agreement.

"Attorney General" means the Attorney General of the State of Texas.

"Board" means the Board of Directors of the District.

"Bond" means (a) any instrument, including a bond, note, certificate of participation, certificate of obligation, or other instrument evidencing a proportionate interest in payments, due to be paid by the District, or (b) any other type of obligation that (1) is issued or incurred by the District under the District's borrowing power, without regard to whether it is subject to annual appropriation, and (2) is represented by an instrument issued in bearer or registered form or is not represented by an instrument but the transfer of which is registered on books maintained for that purpose by or on behalf of the District. The term shall include obligations issued to refund outstanding Bonds, but shall not include reimbursement agreements entered into between the District and a developer of the Land or bond anticipation notes.

"CCN" means a certificate of convenience and necessity or similar permit issued by the TCEQ authorizing a specified entity to be the retail water or sewer service provider in a specified area.

"City" means the City of San Antonio, Texas, a Home Rule City located in Bexar County, Texas.

"City Council" means the City Council of the City.

"City Manager" means the City Manager of the City.

"City Engineer" means one or more engineers hired or engaged to work for the City.

"City Review Fees" means: (a) the fees and charges applicable to the City's preliminary and final plat review and approval process according to the fee schedule adopted by the City Council and in effect on the date of submittal of each plat application; and (b) fees and charges applicable to the review of plans relating to construction of Infrastructure according to the fee schedule adopted by the City Council and in effect on the date of submittal of such plans.

"Consent Request" means the written request submitted by Owner and filed with the City on June 24, 2007, and amended on August 23, 2007, seeking the City's consent to the creation of the District, both letters attached as Exhibit C to this Agreement.

"Consent Resolution" means the Resolution No. 2008-05-01-0024R adopted May 1, 2008 by the City Council that approves this Agreement and that contains the City's consent to the creation of the District.

"Contractor" means a person or entity that constructs, alters or repairs Infrastructure required to serve the Land.

"District" means the Medina County Water Control & Improvement District No. 1, a district created pursuant to Article XVI, Section 59 of the Texas Constitution to be

created contiguous with the Land.

"District Confirmation Date" means the date on which the Board canvasses the results of the election held within the District confirming the creation of the District.

"Effective Date" means the effective date of this Agreement and is May 1, 2008 the effective date of the City's adoption of the Consent Resolution.

"ETJ" means the extraterritorial jurisdiction of a city as defined by the Texas Local Government Code, as amended.

"Infrastructure" means all water facilities, drainage infrastructure and the facilities related to those improvements installed or constructed to serve the Land, whether located within or outside the Land.

"Land" means that certain approximately 850 acre tract located in Bexar County, Texas as shown on Exhibit A and described on Exhibit B.

"Notice" means notice as defined in Section 8.01 of this Agreement.

"Owner" means Hills of Lake Medina, L.P., its successors and Assignees as permitted by this Agreement.

"Party" means, individually, the City, the Owner, or the District, their successors and their Assignees as permitted by this Agreement, collectively "Parties."

"SAWS" means the San Antonio Water System, an agency of the City of San Antonio.

"TCEQ" means the Texas Commission on Environmental Quality or its successor state agency.

"USA" means the Utility Service Agreement signed on December 13, 2007 between SAWS and the Owner, attached as Exhibit D.

"Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE III
CONSENT TO CREATION

In accordance with the terms of the Agreement, the City consents to the creation of the District over the Land and the calling and holding of an election within the District to confirm the creation of the District. The City further acknowledges that the purpose of the District, among other matters, to construct, finance or have constructed, water and other improvements within the District's boundaries and that the District will have the authority to issue bonds for such purposes.

ARTICLE IV
CONSTRUCTION, OPERATION, MAINTENANCE AND INSPECTION OF DISTRICT WATER FACILITIES

4.01 Infrastructure Standards. The Owner and the District shall, at no cost to the City or SAWS, construct infrastructure in accordance with plans and specifications that have been approved by SAWS. All infrastructure shall be designed and constructed in compliance with: (a) the USA, including the rules and regulations of SAWS, (b) the rules and regulations, if any, of the District; so long as they are not in conflict with the rules and regulations of SAWS, and (c) the rules and regulations of TCEQ.

ARTICLE V
CONVERSION, ANNEXATION OR DISANNEXATION BY DISTRICT

The District shall not: (a) annex any additional lands to the District; (b) convert into another type of district; (c) consolidate with another district; or (d) divide into two or more new districts without prior City Council approval.

ARTICLE VI
ANNEXATION OF DISTRICT BY CITY

6.01 General Terms. The Parties acknowledge and agree that the Land lies wholly within the City's ETJ; is not bordered by another city, town, or village. The Parties further acknowledge that the creation of the District, and the City's consent thereto, are for purposes that include promoting the orderly development and extension of City services to the Land upon annexation.

6.02 Incorporation. In furtherance of the purposes of this Agreement, the District and the Owner, on behalf of themselves and their respective successors and Assignees covenant and agree to the extent allowed by law that, except upon written consent of the City Council, neither the District nor the Owner will: (a) seek or support any effort to incorporate the Land or any part thereof; or (b) sign, join in, associate with, or direct to be signed any petition seeking to incorporate any of the Land or seeking to include any of the Land within the boundaries of any other incorporated entity.

6.03 Annexation. The City will not annex the Land into the City any earlier than the first to occur of (a) the date that construction of water and drainage facilities to serve 90% of the Land is complete; (b) fifteen (15) years after the Effective Date; or (c) the dissolution of the District (other than as a result of annexation by the City). If the City annexes the entire area in the District, then the City will succeed to all the powers, duties, assets and obligations of the District, including but not limited to any rights and obligations under valid and duly-authorized contracts entered into by the District prior to the first notice of annexation (e.g., developer reimbursement agreement) and any bond obligations. The District will not enter into any developer reimbursement agreements or agreements for new projects or extraordinary expenses, except as necessary for continued operation and maintenance of existing District facilities, after publication of the first

notice of proposed annexation. As an alternative to the foregoing, and in the City's sole discretion, the City may exercise any options available under Chapter 43 of the Texas Local Government Code, or similar annexation laws of the State of Texas, that are in effect with regard to the provision of water and/or sewer service to areas within Water Control & Improvement Districts that are annexed by cities.

6.04 Owners Not to Contest Annexation. The Owner agrees not to contest the City's annexation of the Land pursuant to the terms of this Agreement.

6.05. Voluntary petition for annexation. Subject to the restrictions concerning when the City may annex the Land that are provided in Section 6.03, the Owners hereby agree that this Agreement constitutes a voluntary petition to the City, acting in the City's sole discretion, for annexation of the Property for full purposes under the provisions of Section 43.052(h) of the Texas Local Government Code at the time provided in Section 6.03. The City is not obligated to annex the Property for full purposes at any time.

To accomplish such annexation, the City will not need to take the following actions, all of which are waived by the Owners:

(a) adopt or amend an annexation plan to include the Property;
(b) give notice to any service providers in the area of the Property;
(c) compile an inventory of services provided to the area by both public and private entities prior to the City's annexation or make such inventory available for public inspection;
(d) complete a service plan that provides for the extension of full municipal services to the Property, other than the Service Plan;
(e) hold any public hearings; and
(f) undertake any negotiations for provision of services to the Property.

The Owners confirm and agree that, as the Owners are the sole owners of the Property as of the Effective Date, such voluntary petition may not be revoked by the Owners except as provided by this Consent, and is intended to be and shall be binding upon the Owners and their successors in interest in ownership of any right, title or interest in and to the Property or any part thereof.

Owners shall include the following language in each deed or lease of any part of the Property executed after the Effective Date, executed by or on behalf of the Owners:

> "This (conveyance or lease, as applicable) is made and accepted subject to that certain Voluntary Petition for Annexation, located in Section 6.05 of the Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1, executed by the Owners and the City of San Antonio on May 1, 2008, which permits the City of San Antonio to annex the Property upon the terms and conditions set forth therein. Acceptance of this (conveyance or lease, as applicable) shall evidence your consent

and agreement to such annexation by the City and may be relied upon by the City as a beneficiary of your consent and agreement.

6.06. Waiver. The Owners irrevocably waive any and all legal requirements applicable to annexation of the Property by the City, to the fullest extent permitted by law. The Owners agree to execute any and all documents reasonably requested by the City to evidence such waiver and the consent granted.

6.07 City's acceptance. The City accepts the Owners' voluntary petition for annexation of the Property, subject to the terms and conditions of this Agreement.

6.08 Water Rates after Annexation. After annexation, the City may set rates for water and/or sewer services for property that was within the District at the time of annexation which may include a surcharge in addition to the rates charged to other ratepayers of the City for the purpose of wholly or partially compensating the City for the assumption of the District's obligations; provided that the City does not annex the area within the District until at least 90% of the Project facilities have been installed for which District bonds are authorized pursuant to this Agreement. Such additional surcharges shall be calculated to recover those District debts and other obligations assumed by the City upon annexation. The surcharge may continue for thirty (30) years after the initial District debt is issued or until the bonded indebtedness of the District has been retired, whichever occurs last, but in no case for a longer period of time than is necessary to wholly compensate the City for its assumption of the obligations of the District.

6.09 Deed Record Notice. Within thirty (30) days after the District Confirmation Date, the District shall file in the real property records of Medina County: (a) a notice in the form required by Section 49.452 of the Water Code stating that the City has the authority to annex the District subject to the limitations set forth in Section 6.03.

ARTICLE VII
TERM OF AGREEMENT

This Agreement shall be effective from the Effective Date and shall continue in effect until the District is annexed for full purposes and dissolved by the City or until terminated in writing by mutual agreement of the City and the District; provided, however, if the creation of the District has not been confirmed at an election conducted on or before May 31 2009, this Agreement will terminate without any further action by the Owner or the City, on June 1, 2009.

ARTICLE VIII
ADDITIONAL PROVISIONS

8.01 Notice. Any notices, certifications, approvals, or other communications (a "Notice") required to be given by one Party to another under this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below and shall be deemed given: (a) when the Notice is delivered in person to the person to whose attention the Notice is addressed; (b) when received if the Notice is deposited in the

United States Mail, certified or registered mail, return receipt requested, postage prepaid; (c) when the Notice is delivered by Federal Express, UPS, or another nationally recognized courier service with evidence of delivery signed by any person at the delivery address; or (d) five business days after the Notice is sent by FAX (with electronic confirmation by the sending FAX machine) with a confirming copy sent by United States mail within 48 hours after the FAX is sent. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the Notice shall be extended to the first business day following the Saturday, Sunday, or legal holiday. For the purpose of giving any Notice, the addresses of the Parties are set forth below. The Parties may change the information set forth below by sending Notice of such changes to the other Party as provided in this Section 8.01.

To the City:

City Clerk
City of San Antonio, Texas
P.O. Box 839966
San Antonio, TX 78283-3966
Attn: City Manager
FAX: (2210) 207-7032

To Owner:

Hills of Lake Medina, LP
Attn: Timothy L. Barton, Managing Member,
JMJ Lake Medina, LLC,
its General Partner
One Hickory Center
1800 Valley View Lane
Suite 150, LB4
Dallas, Texas 75234-8942

8.02 No Waiver. Any failure by a Party to insist upon strict performance by the other 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 hereto 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.

8.03 Governing Law and Venue. **THIS AGREEMENT MUST BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AS THEY APPLY TO CONTRACTS PERFORMED WITHIN THE STATE OF TEXAS AND WITHOUT REGARD TO ANY CHOICE OF LAW RULES OR PRINCIPLES TO THE CONTRARY. THE PARTIES**

ACKNOWLEDGE THAT THIS AGREEMENT IS PERFORMABLE IN MEDINA COUNTY, TEXAS AND HEREBY SUBMIT TO THE JURISDICTION OF THE COURTS OF MEDINA COUNTY, TEXAS, AND HEREBY AGREE THAT ANY SUCH COURTS SHALL BE A PROPER FORUM FOR THE DETERMINATION OF ANY DISPUTE ARISING HEREUNDER.

8.04 Authority to Execute. The Owner warrants that the execution of this Agreement is duly authorized in conformity with the articles of incorporation, bylaws, partnership agreement, or other applicable organizational documents of the Owner and that the individual executing this Agreement on behalf of the Owner has been authorized to do so.

8.05 Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances, and a new provision shall be deemed substituted in lieu of the provision so severed which new provision shall, to the extent possible, accomplish the intent of the Parties as evidenced by the provision so severed.

8.06 Changes in State or Federal Laws. If any state or federal law changes so as to make it impossible for the City or Owner to perform its obligations under this Agreement, the Parties will cooperate to amend the Agreement in such a manner that is most consistent with the original intent of the Agreement as legally possible.

8.07 Additional Documents and Acts. Owner agrees that at any time after execution of this Agreement, they will, upon the request of the City, execute and/or exchange any other documents necessary to effectuate the terms of this Agreement and perform any further acts or things as the City may reasonably request to effectuate the terms of this Agreement.

8.08 Captions. Captions and headings used in this Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

8.09 Assignment.

(a) The Owner, except in compliance with Section 8.09(b) below, may not assign this Agreement without the written consent of the City.

(b) The Owner has the right, from time to time, to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to the District (after the District Confirmation Date) and to any person or entity (an "Assignee") without the consent of the City, provided that the following

conditions are satisfied: (1) if not the District, Assignee is a successor owner of all or any part of the Land or is a lender to a successor owner of all or any part of the Land; (2) if not the District, Assignee has a contractual right to be reimbursed for water or drainage improvements from District Bonds (or has a lien or other security interest in such reimbursements); (3) Assignee expressly assumes in the assignment any assigned obligations and expressly agrees in the assignment to observe, perform, and be bound by this Agreement to the extent this Agreement relates to the obligations, rights, titles, or interests assigned; and (4) a copy of the executed assignment is provided to all Parties within 15 days after execution. Provided the foregoing conditions are satisfied, from and after the date the assignment is executed by the Owner and Assignee, the City agrees to look solely to Assignee for the performance of all obligations assigned to Assignee and agrees that the Owner shall be released from performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations. No assignment by the Owner shall release the Owner from any liability that resulted from an act or omission by the Owner that occurred prior to the effective date of the assignment. The Owner shall maintain written records of all assignments made by Owner (including, for each Assignee, the Notice information required by this Agreement, and 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. It is specifically intended that this Agreement, and all terms, conditions and covenants herein, shall survive a transfer, conveyance, or assignment occasioned by the exercise of foreclosure of lien rights by a creditor or a Party, whether judicial or non-judicial. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and Assignees. Notwithstanding the above, all conveyances of infrastructure to SAWS shall be free of any encumbrance, lien, debt or impairment, in accordance with the terms of the USA.

8.10 Amendment. This Agreement may be amended only with the written consent of all Parties and with approval of the governing bodies of the City.

8.11 Interpretation. The Parties acknowledge that each Party and, if it so chooses, its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. As used in this Agreement, the term "including" means "including, without limitation," and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular. Each defined term herein may be used in its singular or plural form whether or not so defined.

8.12 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties, and neither the City nor Owner intends by any provision of this Agreement to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Agreement or otherwise upon anyone other than the City and Owner.

8.13 Incorporation of Exhibits by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference for the purposes set forth herein, as follows:

Exhibit A	Map of the Land
Exhibit B	Legal description of the Land
Exhibit C	Consent Request
Exhibit D	Utility Service Agreement

8.14 Conspicuous Provisions. The City and Owner acknowledge that the provisions of this Agreement set out in **bold**, **CAPITALS** (or any combination thereof) satisfy the requirements for the express negligence rule and/or are conspicuous.

8.15 Counterpart Originals. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

CITY OF SAN ANTONIO

By: _____
City Manager

Date: 5-9-08

ATTEST:

_____
City Clerk

APPROVED AS TO FORM

Camila D. Kuman
for City Attorney

OWNER:
Hills of Lake Medina, L.P.
by: JMJ/Lake Medina, LLC,
Its General Partner

By: _____
Timothy L. Barton, Managing Member

Date: 5-8-08

The State of Texas
County of Dallas

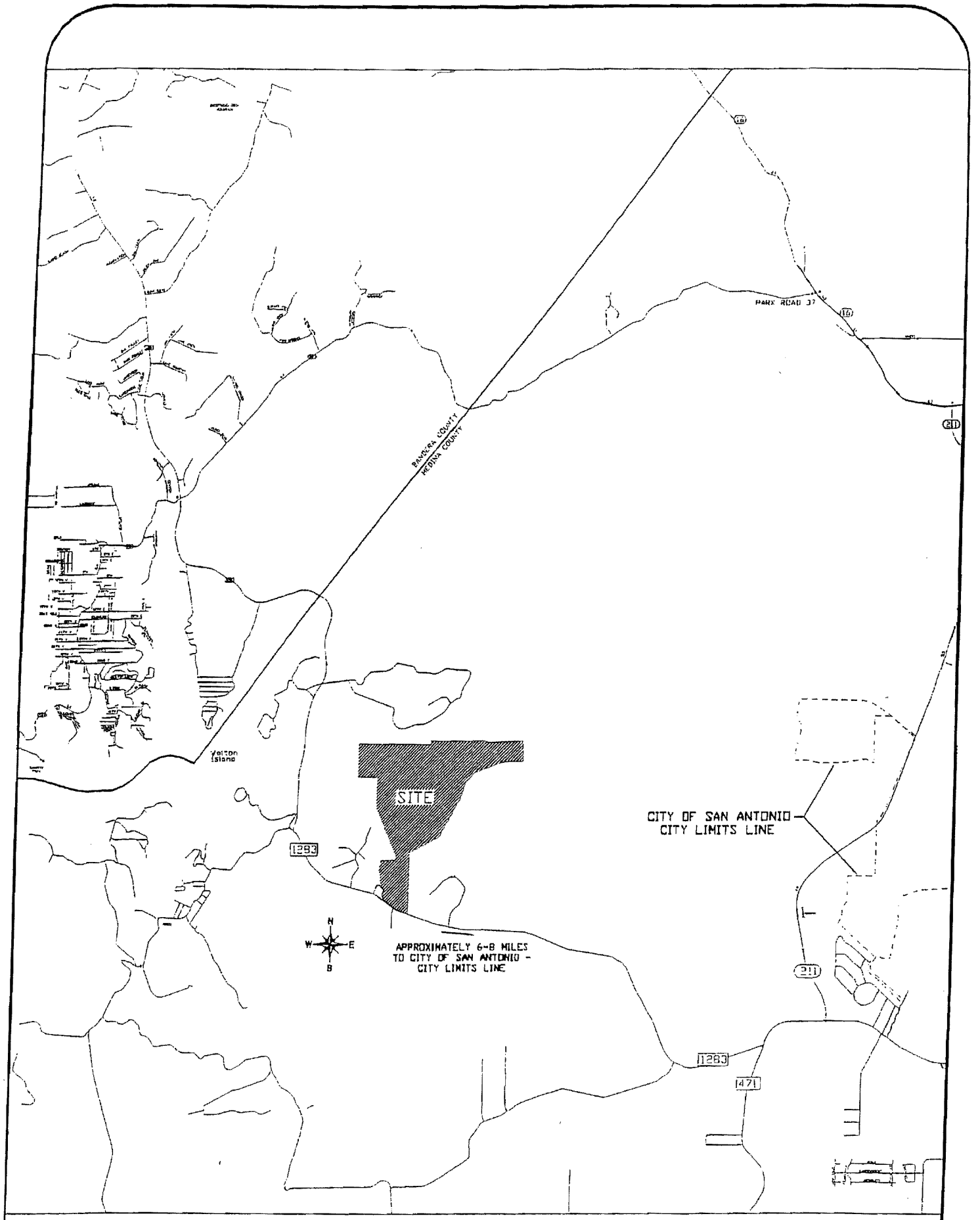
This instrument was acknowledged before me on May 8, 2008, by Timothy L. Barton, Managing Member of JMJ/Lake Medina, LLC, General Partner of Hills of Lake Medina, L.P., property owner within the District.

Linda A Long
Notary Public, State of Texas
(PERSONALIZED SEAL)
LINDA A LONG
(Print name of Notary Public here)

LINDA A. LONG
MY COMMISSION EXPIRES
February 25, 2010

My commission expires the 25th
day of February ~~2008.~~ 2010

Exhibit A
Map of Land



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Exhibit B
Property Description

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

Exhibit C
Consent Request

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

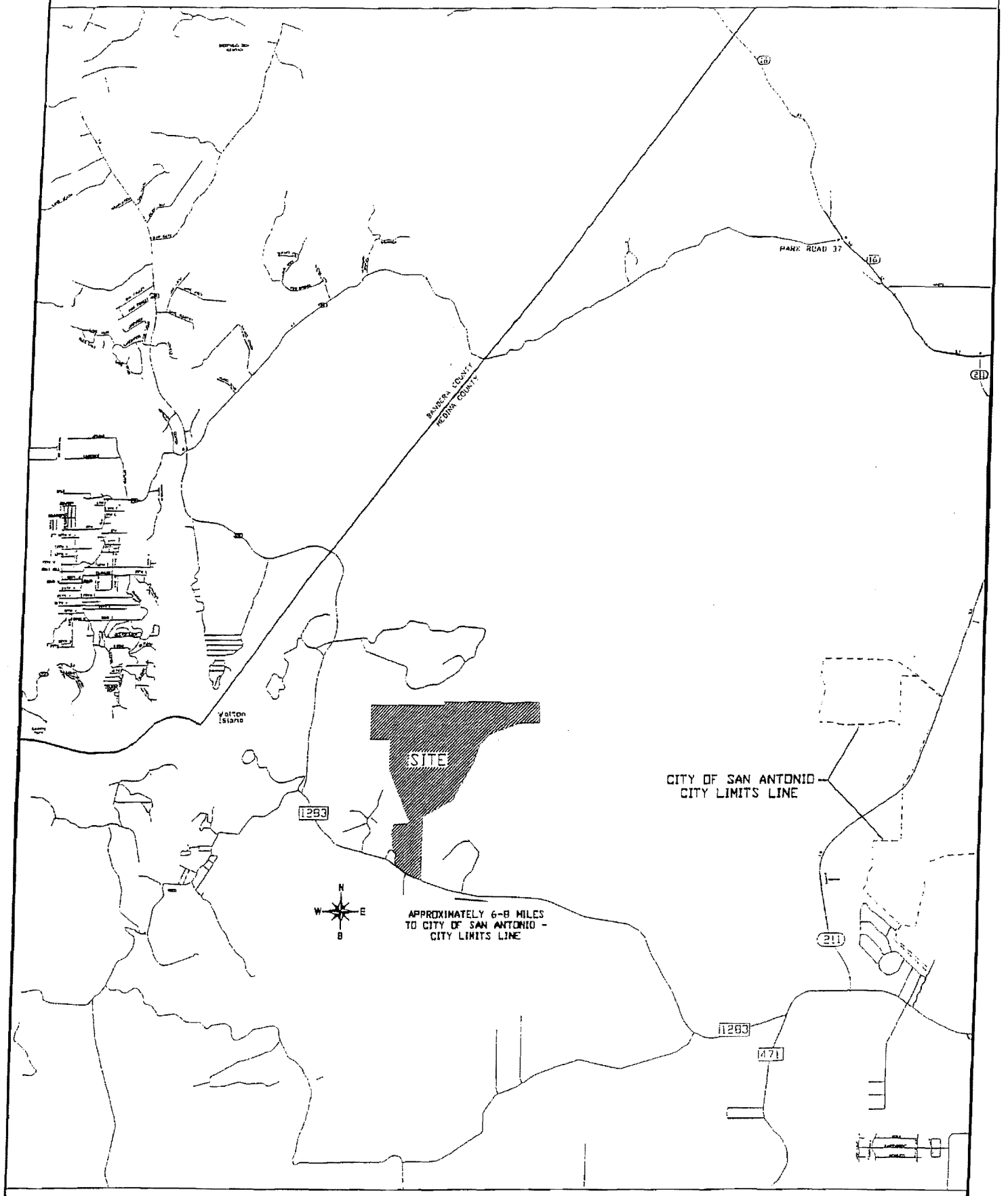
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

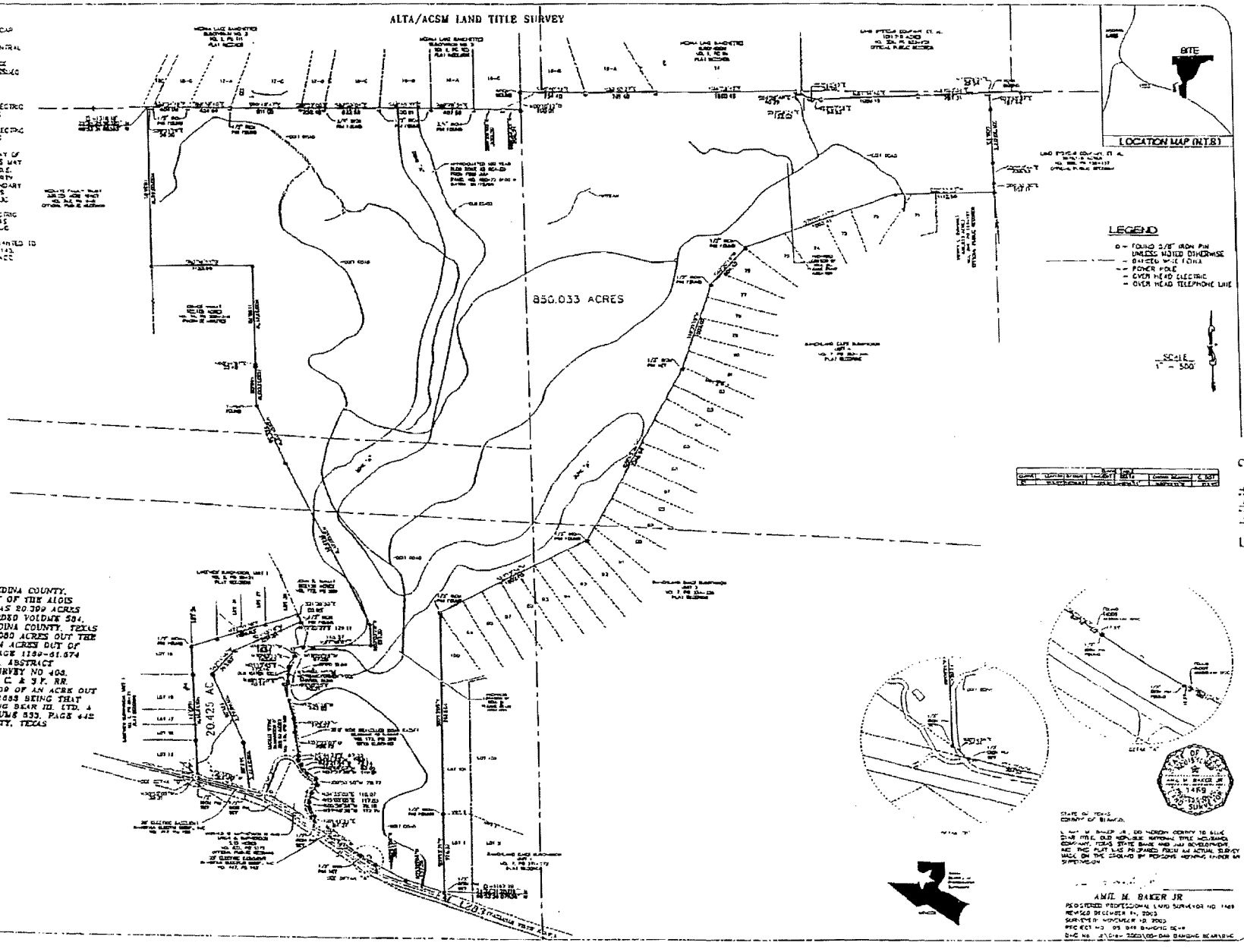
Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

ALTA/ACSM LAND TITLE SURVEY

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING".
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY OF NO. 0123168-CONO EFFECTIVE DATE SEPTEMBER 12, 2003, ISSUED DATE SEPTEMBER 30, 2003
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN
6) UTILITY EASEMENT AND SERVITUDE OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 150 OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
7) UTILITY EASEMENT AND SERVITUDE OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 418 PAGES 702, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT.
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 317, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT, DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 572, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 572, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 143, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



FLAT SHOWING:
SURVEY OF 870.408 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT 2 OF LAND OUT OF THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1924, DESCRIBED AS 20.309 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 504, PAGE 787 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT 1 CONSISTING OF 154.080 ACRES OUT THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1924- 0.504 ACRES OUT OF THE G. C. & S. F. RR COMPANY SURVEY NO. 307, PAGE 1139-61.574 ACRES OUT OF THE FRANK BURRELL SURVEY NO. 65, ABSTRACT 1917-324.337 ACRES OUT OF THE LEOPOLD HABY SURVEY NO 403, ABSTRACT 1746 AND 303.778 ACRES OUT OF THE G. C. & S. F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1301 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1888 BEING THAT SAME 850.051 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD. A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 533, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER SURVEYING & ENGINEERING, INC.

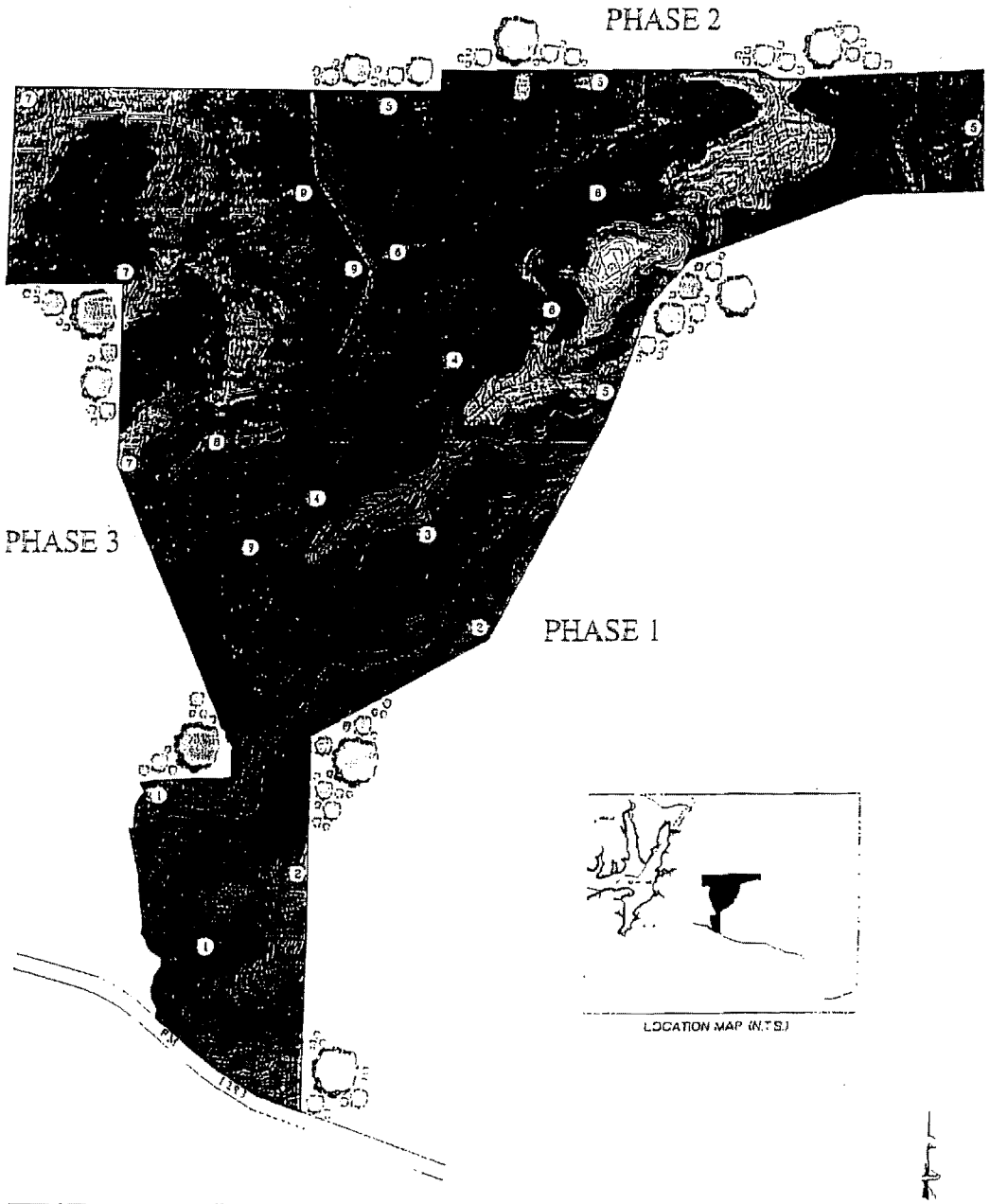
STATE OF TEXAS
COUNTY OF BEXAR

I, AMIL H. BAKER JR., DO HEREBY CERTIFY TO SELLE TEXAS TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND LAND DEVELOPMENT INC. THAT THIS PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY PERSONS NEATH MY DIRECTION OR SUPERVISION.

AMIL H. BAKER JR
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1469
REVISED DECEMBER 11, 2003
SURVEYED NOVEMBER 10, 2003
PROJECT NO. 03 049 BANDERA
DWG NO. J:\Dwg 2003\03-049 BANDERA BEARING.

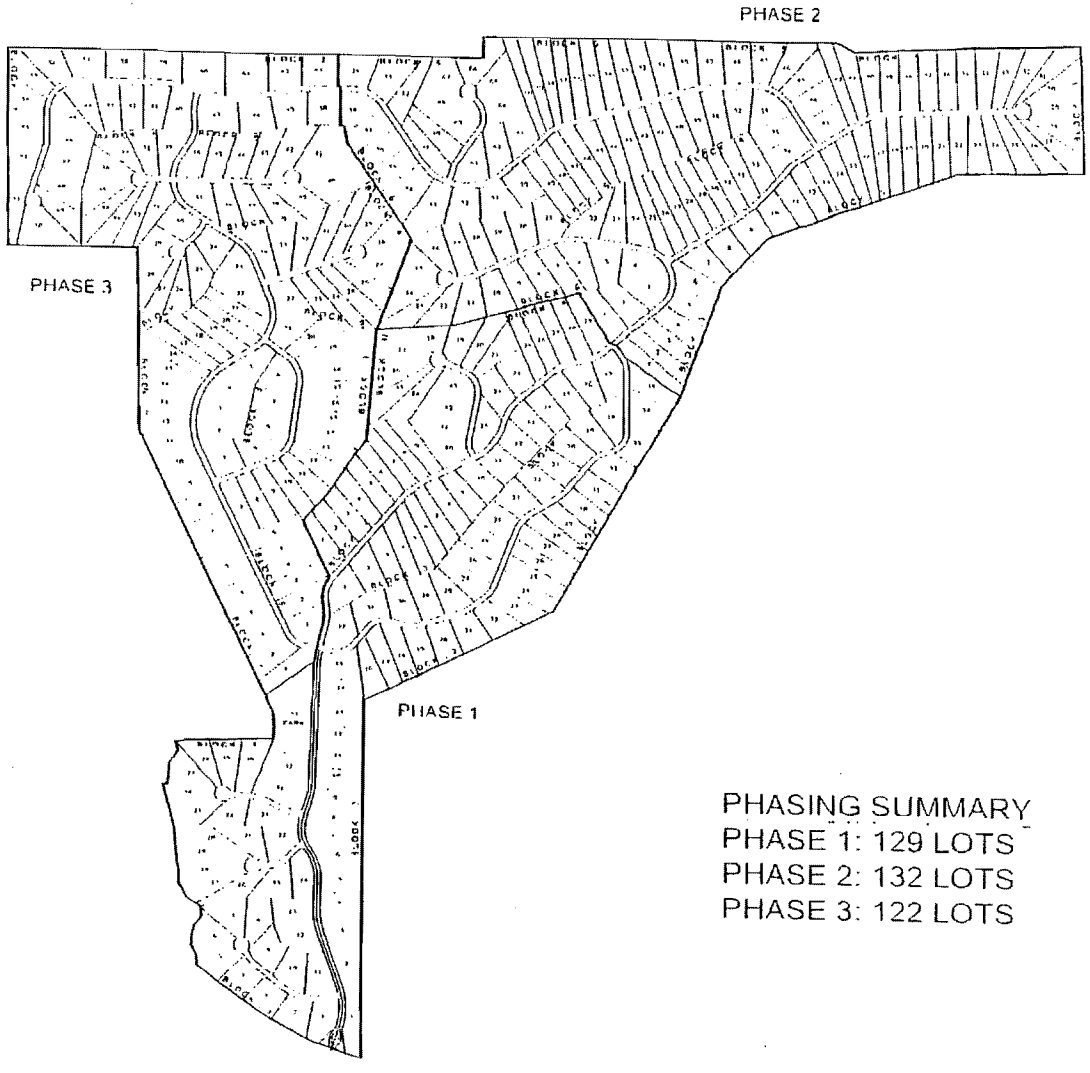
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavoyne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

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GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 **Definitions.**

G.C.1.01 **Developer.**

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 **Director of Infrastructure Planning.**

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 **Definition of Terms.**

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2. Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 **Required Submittals.**

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 **Dedication to SAWS.**

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 **Design and Construction Requirements.**

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 **Joint Venture Agreements.**

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part; however. Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 **Tract Location and Ultimate Demand.**

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 **Infrastructure Requirements.**

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

Preparer's Initials _____

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

Preparer's Initials _____

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure/facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 **Tract Location and Ultimate Demand.**

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 **Infrastructure Requirements.**

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

Preparer's Initials _____

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

Exhibit D
Utility Service Agreement

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "King's Gate" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

Preparer's Initials _____

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials ___

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
David E. Chardavoyne	
By: David E. Chardavoyne	By: [illegible]
Title: President/Chief Executive Officer	Title: Managing Member
Date: 13 December 2007	Date: 12.7.07

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared David E. Chardavoyne known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as President / CEO for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13th **day of** December, **2007.**

(seal) EVELYN L. PITMAN Notary Public STATE OF TEXAS My Comm. Exp. 03-01-08

Evelyn L. Pitman
Notary Public

STATE OF TEXAS, COUNTY OF ~~BEXAR~~ DALLAS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared [illegible] known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as [illegible] for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th **day of** December, **2007.**

(seal) LINDA A. LONG MY COMMISSION EXPIRES February 25, 2010

[illegible]
Notary Public

Preparer's Initials JP

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director.

Preparer's Initials _____

G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part; however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials JK

G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

Preparer's Initials ___

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however. EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Based upon the May 2007 hydrological report submitted by LBG-Guyton Associates, the Developer will be required to drill a satellite water well system with a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The proposed satellite system will have a sustainable firm well capacity of 230 gpm. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Developer will be required to pay for any surface water treatment if it becomes necessary.

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

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- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- The assignee and its customers will be required to comply with current Conservation Ordinances, Chapter 34, as amended.

- The assignee and its customers will be required to comply with current rules and regulations for public water systems as established by TCEQ in Title 30 Texas Administrative Code, Chapter 290, as amended.

- The assignee will be required to meet water quality and compatibility standards, listed below, set by SAWS.

Contaminant	Units	Raw Water Design	MCL	Finished Water Goal
Primary Drinking Water Contaminant Levels				
Radium-226&228, Total	pCi/l	4.5	5.00	<3.0
Arsenic	mg/l	<0.01	0.05 [1]	<0.01
Secondary Drinking Water Contaminant Levels				
Color, True	color units	20.00	15	<3.00
Hydrogen Sulfide	mg/l	2.00	0.05	<0.03
Iron	mg/l	15.00	0.3	<0.2
Manganese	mg/l	0.30	0.05	<0.03
pH		5.50	>7.0	>7.8
Odor	T.O.N.	200.00	3	<2.5
Other Parameters				
Alkalinity, Total	mg/l as $CaCo_3$	30.00	NA	>100
Calcium	mg/l	23.00	NA	>40
Dissolved Oxygen	mg/l	0.10	NA	>2.0
Hardness, Total	mg/l as $CaCo_3$	35.00	NA	>100
Radon	pCi/l	160.00	300 [2]	<100
Specific Conductance	umhos/cm	NA	NA	350-700
TDS	ppm	NA	NA	<500
Turbidity	NTU	0.20	<0.5	<0.1
Corrosion Indices				
Langlier Saturation Index		-2.00	NA	>0.20
Ryznar Indez		10.10	NA	<7.1
Disinfection By-Products				
Bromate	mg/l	NA	0.01	<0.005
Total Trihalomethanes (TTHM)	mg/l	0.007	0.08	<0.040
Haloacetic Acids (HAA5)	mg/l	0.004	0.06	<0.030

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NOTE: Developer assumes full responsibility in case of any shortage or other problems with water supply for domestic and/or fire flow needs. If such a shortage or quality problems with water supply were to occur then SAWS would cease issuance of any and all permits or approvals for any additional water services until such time as the problems can be resolved. In the event that water is required to be pump and hauled, in order to serve this development the Developer will fund 100% of any costs for the pump and haul.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Should the hydrological report that the Developer is required to submit to SAWS pursuant to S.C. 2.00 demonstrate that a firm yield capacity of 230 gpm cannot be sustained, and should Developer request a new utility service agreement to determine how to connect to existing

SAWS infrastructure, then the new utility service agreement will provide that Water Impact Fees will be assess at the rates in effect at the time of plat recordation or the latest date allowed by law, and that impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

S.C.10.00 Water Control and Improvement District

- Developer and SAWS recognize that the Developer has requested that the City of San Antonio consent to the creation of a Water Control and Improvement District ("WCID") that will be created to finance the purchase, acquisition, and/or construction of infrastructure requirements that are described in the preceding section S.C. 2.00. The property contained in the WCID is to be the property that is described as "The Tract" in Attachment III. It is the intention of the parties to this Agreement that all rights, obligations and benefits pursuant to this Agreement may be assigned to and accepted by the WCID upon its creation.

- Upon completion of construction, Developer will convey the infrastructure to the WCID. The WCID shall then convey the infrastructure to SAWS lien free. After written acceptance, SAWS will thereafter own, operate and maintain the infrastructure at its expense, as provided in the preceding section G.C. 3.00.

- Each customer of SAWS within the WCID shall pay SAWS for water service at the applicable retail water and sewer rate charged by SAWS to its customers within the area and within the same rate class. SAWS shall not charge the WCID or the users within the WCID any additional fee, assessment or other charge for water service received from SAWS that SAWS does not charge its residential or commercial customers in the same rate class.

- Notwithstanding any provision to the contrary that is contained in this Agreement, Developer may assign this Agreement to any WCID that includes all or part of the Tract and that is created with the consent of the City of San Antonio, given by a resolution or an ordinance that is passed and approved by the City Council of the City of San Antonio.

- Should the City Council of the City of San Antonio, Texas, not consent, or should it refuse to consent to the creation of a Water Control and Improvement District that includes the Tract that is described in Attachment III, then in that event this Agreement shall immediately terminate and be of no further force or effect.

Preparer's Initials ___

SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Medina County Public Works Department. Developer agrees to secure appropriate utility permits from the Medina County Public Works Department.

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ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

RESOLUTION NO. 07-104

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING UTILITY SERVICE AGREEMENTS TO PROVIDE WATER AND/OR WASTEWATER SERVICE TO THE TRACTS LISTED HEREIN, SUBJECT TO THE EXPIRATION OF SUCH AGREEMENTS IF NOT EXERCISED IN THIRTY-SIX MONTHS; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the Developer Customer(s) specified in the following table have requested the San Antonio Water System (the "System") to provide water and/or wastewater service(s), and have satisfied the requirements of the Board's Regulations for Developer Customer(s) Applicants; and

No.	Tract Name	Developer Name	Acreage	Water EDUs	WW EDUs	Board Reason
1	*201-Acre Tract	Levcor, Inc.	201	BM	1,122	AC
2	*Babcock 165	Babcock Road 165, Ltd.	165	220	220	AC/OVR
3	*Babcock Heights	Southerland Communities	283.9	245	0	AC/OVR
4	*Bloomfield	Monte Cristo Developers, LLC	198.72	250	0	AC/OVR/EARZ
5	Castle Rock Estates at Lake Medina	Hills of Lake Medina, LP	850.03	382	0	EARZ
6	Encino Commons	Encino Land Affiliates, L.P.	7.254	60	78	AC/OVR
7	Hills at Boerne Stage II	Laredo Boerne Stage, Ltd.	249	123	0	AC
8	*Horizon Pointe	Continental Homes of Texas, L.P.	461.32	1,845	282	AC/OVR
9	Lazy M	BP Real Estate Investments Ltd.	335.51	450	0	EARZ
10	Los Reyes Remainder Tract	Los Reyes, Inc.	30.66	83	83	AC/OVR
11	*Stonewall Estates	HM Stonewall Estates, Ltd.	346.217	450	444	AC
12	Texas Best Travel Center	BK Metro Land Co, Ltd.	104.6	473	523	AC
13	*Voelcker Ranch 119-Acre Tract	KB Home LoneStar, L.P.	119	633	549	AC
14	Walker Tract	Unified Investment	56	315	315	

		Group				
Totals			3,408	5,529	3,616	
Year-to-Date Totals (January-April 2007)			6,405	10,781	11,848	

*The noted Utility Service Agreements (USAs) have been previously approved by the Board and require a new approval due to an increase of water/wastewater EDUs, acres or oversizing. The year to date totals include totals which have already been previously approved.

WHEREAS, the Developer Customer(s) provisions to acquire water and/or wastewater services within the System's jurisdiction is generally illustrated in the attached Project Site Maps; and

WHEREAS, the Developer Customer is obligated to pay the prescribed fees and to comply with other applicable requirements as set forth in the Regulations for Water and/or Wastewater Service; and

WHEREAS, the USA titled "201-Acre Tract", a 201-acre tract, includes a portion of a tract previously approved by the San Antonio Water System Board of Trustees, approved on March 21, 2006 through Resolution 06-075. This USA will replace the previously approved USA. The Developer has revised their request for water and wastewater EDUs; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock 165 Tract", a 165-acre tract, was previously approved by the San Antonio Water System Board of Trustees on February 7, 2006 through Resolution 06-036. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock Heights Tract", a 284-acre tract, was previously approved by the San Antonio Water System Board of Trustees on December 5, 2006 through Resolution 06-360. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Bloomfield Tract", a 199-acre tract, was previously approved by the San Antonio Water System Board of Trustees on March 6, 2006. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required, and

WHEREAS, the USA titled "Horizon Pointe Tract", a 461-acre tract, was previously approved by the San Antonio Water System Board of Trustees on April 18, 2006 through Resolution 06-118. The Developer has revised their request for wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Stonewall Estates Tract", a 346-acre tract, was previously approved by the San Antonio Water System Board of Trustees on October 6, 2006 through Resolution 06-292. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Voelcker Ranch 119-Acre Tract", a 119-acre tract, was previously approved by the San Antonio Water System Board of Trustees on November 7, 2006 through Resolution 06-325. The Developer has revised their request for water and wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to agree to provide water and/or wastewater service to the proposed tract(s), as described above, and (ii) to provide that these agreement(s) will be honored for a period of thirty-six months, and that if not exercised during this period, the utility service agreements will expire; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the San Antonio Water System hereby agrees to provide water and/or wastewater service to the proposed tract(s), as generally illustrated in the attached Project Site Maps hereto, on a Developer Customer basis as provided for in the Board's Regulations, applicable amendments to the Regulations, and any other applicable federal, state or local regulations.

2. That each agreement shall be honored for a period of thirty-six months, and if not exercised during this thirty-six-month period, the utility service agreement will expire.

3. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.

4. If any part, section, paragraph, sentence, phrase or word of this resolution is for any reason held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.

5. This resolution shall take effect immediately from and after its passage.

PASSED AND APPROVED this 3rd day of April, 2007.

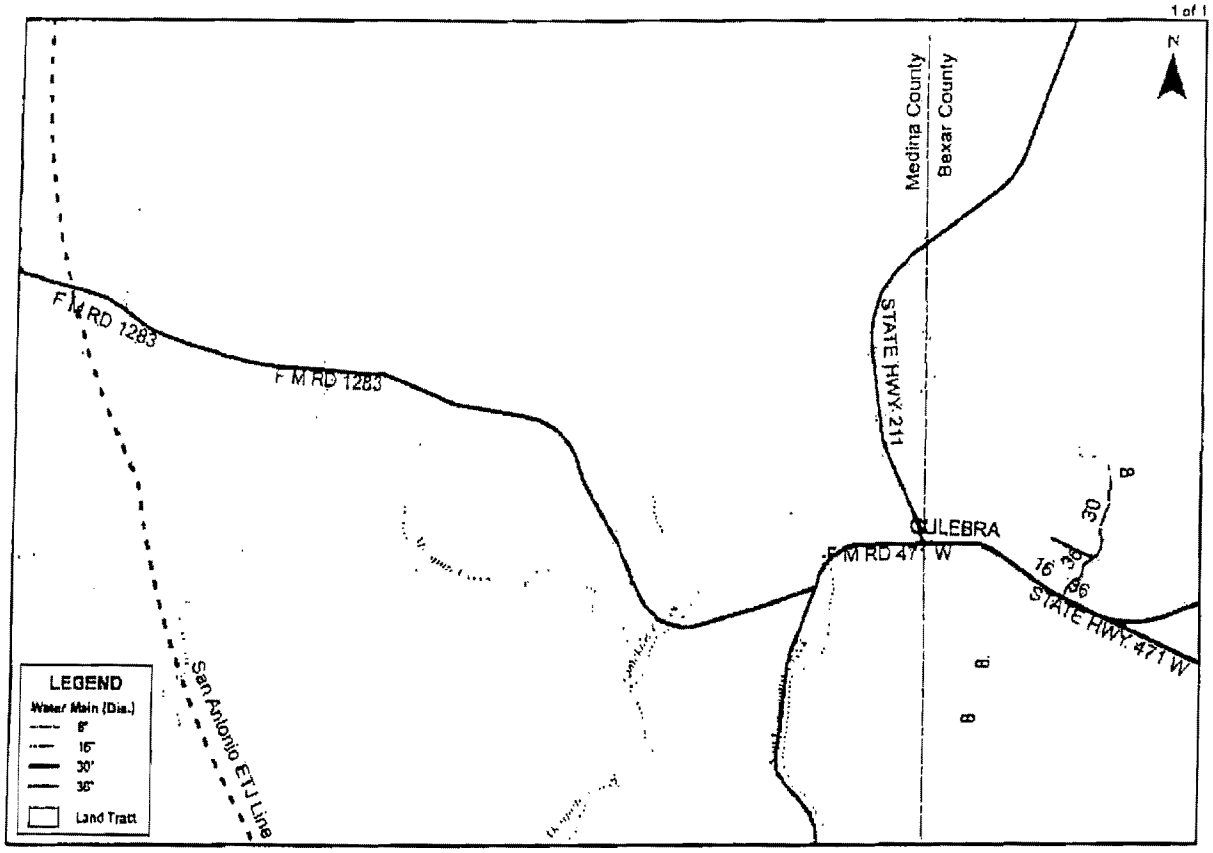
Alexander E. Briseño, Chairman

ATTEST:

Salvadore M. Hernández, Secretary

WATER MAP

CASTLE ROCK ESTATES AT LAKE MEDINA
850 Acres



Water Requirements:

Water Supply to the tract will be from Pressure Zone (PZ) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing PZ 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a capacity of 400 gpm into the Trinity Aquifer that can sustain a firm yield capacity of 230 gpm. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS. If the hydrogeological report indicates that the firm yield cannot be sustained, the Developer will be required to connect to the existing SAWS infrastructure located approximately 5.5 miles southeast of the proposed property.

- Construct a 300,000 gallon ground storage tank at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank and firm service pump capacity of 2,100 gpm located at the tank site.

- Provide 12-inch interconnect mains at the following locations, northern, eastern and western boundaries for PZ 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- Provide a Groundwater Availability Model (GAM) indicating the permanent influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable by SAWS, the Developer will be allowed the ultimate demand of 382 as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

CWK
05/01/08
Item No. 4

A RESOLUTION 2008-05-01-0024R

CONSENTING TO THE CREATION BY THE MEDINA COUNTY COMMISSIONERS COURT OF THE MEDINA COUNTY WATER CONTROL IMPROVEMENT DISTRICT NO. 1, ALSO KNOWN AS KINGS GATE WCID, SITUATED WITHIN THE EXTRATERRITORIAL JURISDICTION OF THE CITY OF SAN ANTONIO, TWO MILES EAST OF MEDINA LAKE, ALONG FM 1283 IN MEDINA COUNTY, ENCOMPASSING APPROXIMATELY 850 ACRES AND AUTHORIZING THE EXECUTION OF A CONSENT AGREEMENT WITH HILLS OF LAKE MEDINA, L.P., THE PROPERTY OWNER.

* * * * *

WHEREAS, on June 24, 2007, the Hills of Lake Medina L.P., ("Owners") submitted a request to the City of San Antonio for its consent to the creation of a water control and reclamation district to facilitate financing for construction of a water production and distribution system and to provide for drainage improvements; and

WHEREAS, the Owners clarified their request on August 23, 2007, providing additional information, and followed the letter with telephone communications, clarifying that the Owners are seeking the City's consent to the creation of Medina County Water Control and Improvement District No. 1 (the "District"), that would be created by the Medina County Commissioners Court, and which would have statutory authority to issue bonds to finance the construction of these improvements; and

WHEREAS, the Owners propose to build a low-density residential development with approximately 382 residential units on the 850 acres with an approximate impervious cover of 15 percent or less; and

WHEREAS, the development is situated over the Edwards Aquifer Recharge Zone and water production will be from the Trinity Aquifer, with minimum lot sizes of two (2) acres as required by Medina County's subdivision regulations that govern development within the Edwards Aquifer Recharge Zone; and

WHEREAS, the residential lots will have on-site septic systems, and a preliminary plat has been filed with Medina County, which will conduct all final inspections of the on-site septic systems; and

WHEREAS, in December 2007, the Owners entered into a Utility Service Agreement (USA) with SAWS, which will provide for the creation of a SAWS-owned satellite system to be constructed by the Owners as required by SAWS, and the Owners will dedicate, grant and convey that infrastructure through the WCID to SAWS, lien free, upon completion of construction; and

WHEREAS, under the terms of the USA, SAWS will not extend any water mains to the project site and water provision will be provided through a self-contained satellite system; the Owners will construct all water infrastructure at their sole cost to the specifications of SAWS, and will convey the infrastructure to SAWS at no cost to SAWS; that upon acceptance, SAWS will own and operate the system, and shall provide water from wells constructed by the developer in the Trinity Aquifer located on the project site; that the developer will comply with SAWS stringent construction and water quality standards, and that wastewater treatment will be through septic tanks; and

WHEREAS, the City and Owners propose to enter into a Consent Agreement that establishes the mutually agreeable terms and conditions relating to the creation and operation of the District; and

WHEREAS, the Consent Agreement provides in part that the District cannot convert or merge into another district or annex land without City approval; provides for annexation of the District by the City; and further states that upon annexation, the City may set rates for water and may include additional surcharges for the purpose of recovering the District's debt and other obligations assumed by the City; **NOW THEREFORE:**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Consent to creation of District. The City Council of the City of San Antonio consents to the request of the property owners, Hills of Lake Medina, L.P., for the creation by the Medina County Commissioners Court of the Medina County Water Control and Improvement District No. 1, for the project known as "Kings Gate", encompassing approximately 850 acres in Medina County, in the extraterritorial jurisdiction of the City of San Antonio. A copy of the request is attached as Exhibit 1, and a map of the Project is attached as Exhibit 2.

SECTION 2. Authorization of City Manager to enter into Consent Agreement. The City Manager, or a designee, is authorized to enter into a written Consent Agreement, which establishes the mutually agreeable terms and conditions relating to the creation and operation of the District. A copy of the Consent Agreement in substantially final format is attached to this Resolution as Exhibit 3. Upon execution, a complete original copy shall be attached to this Resolution.

SECTION 3. Incorporation of Recitals. The statements set forth in the recitals of this Resolution are true and correct, and are incorporated as a part of this Resolution.

SECTION 4. Severability. If any provision of this Resolution or the application of this Resolution to any circumstance shall be held to be invalid, the remainder of this Resolution and the application of this Resolution to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared in this Resolution, and this Resolution would have been enacted without such invalid provision.

CWK
05/01/08
Item No. 4

SECTION 5. Effective Date: This Resolution is effective immediately upon the receipt of eight (8) affirmative votes.

PASSED AND APPROVED this 1st day of May 2008.

MAYOR
PHIL HARDBERGER

ATTEST: _____
City Clerk

APPROVED AS TO FORM: _____
for City Attorney

EXHIBIT 1

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

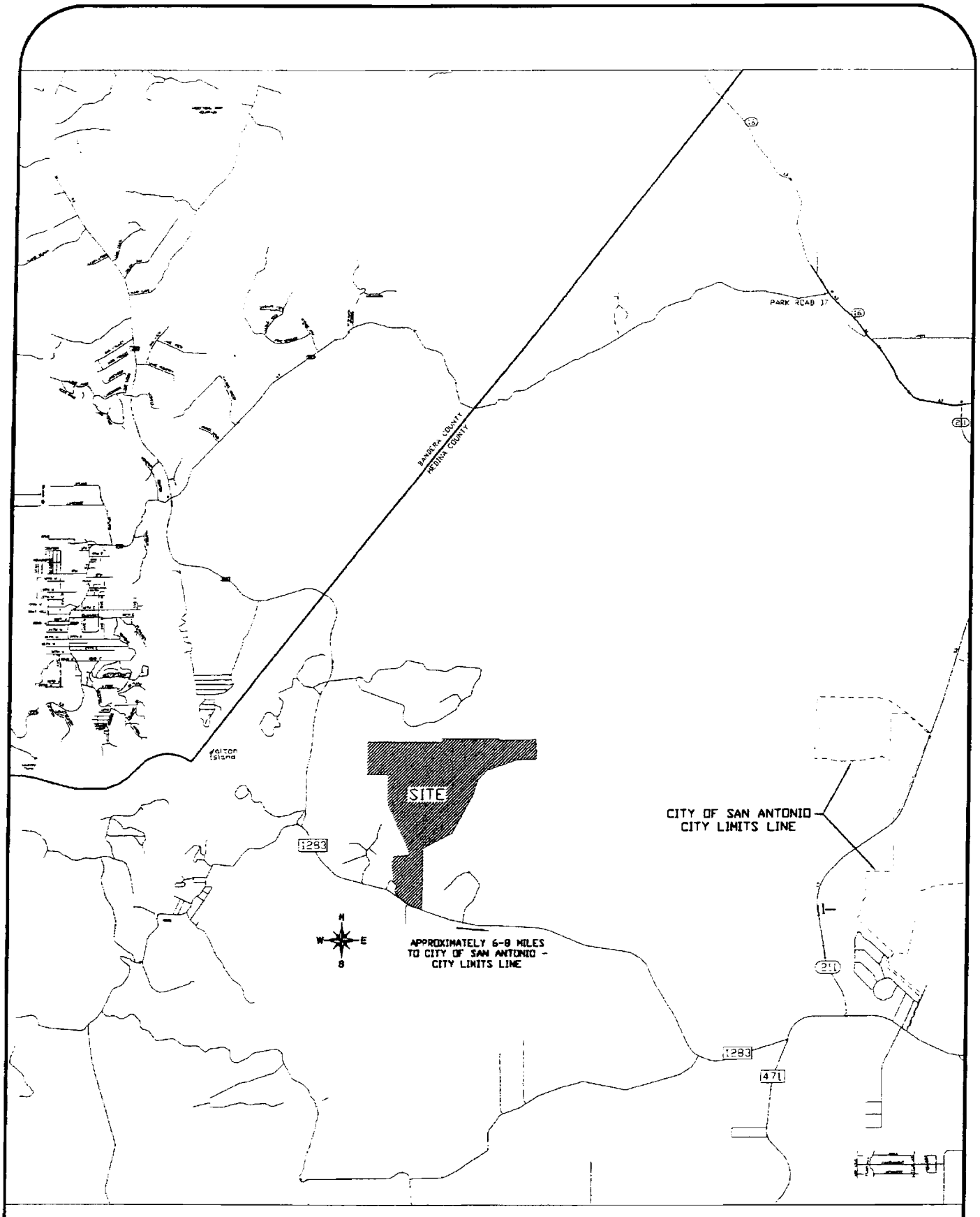
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

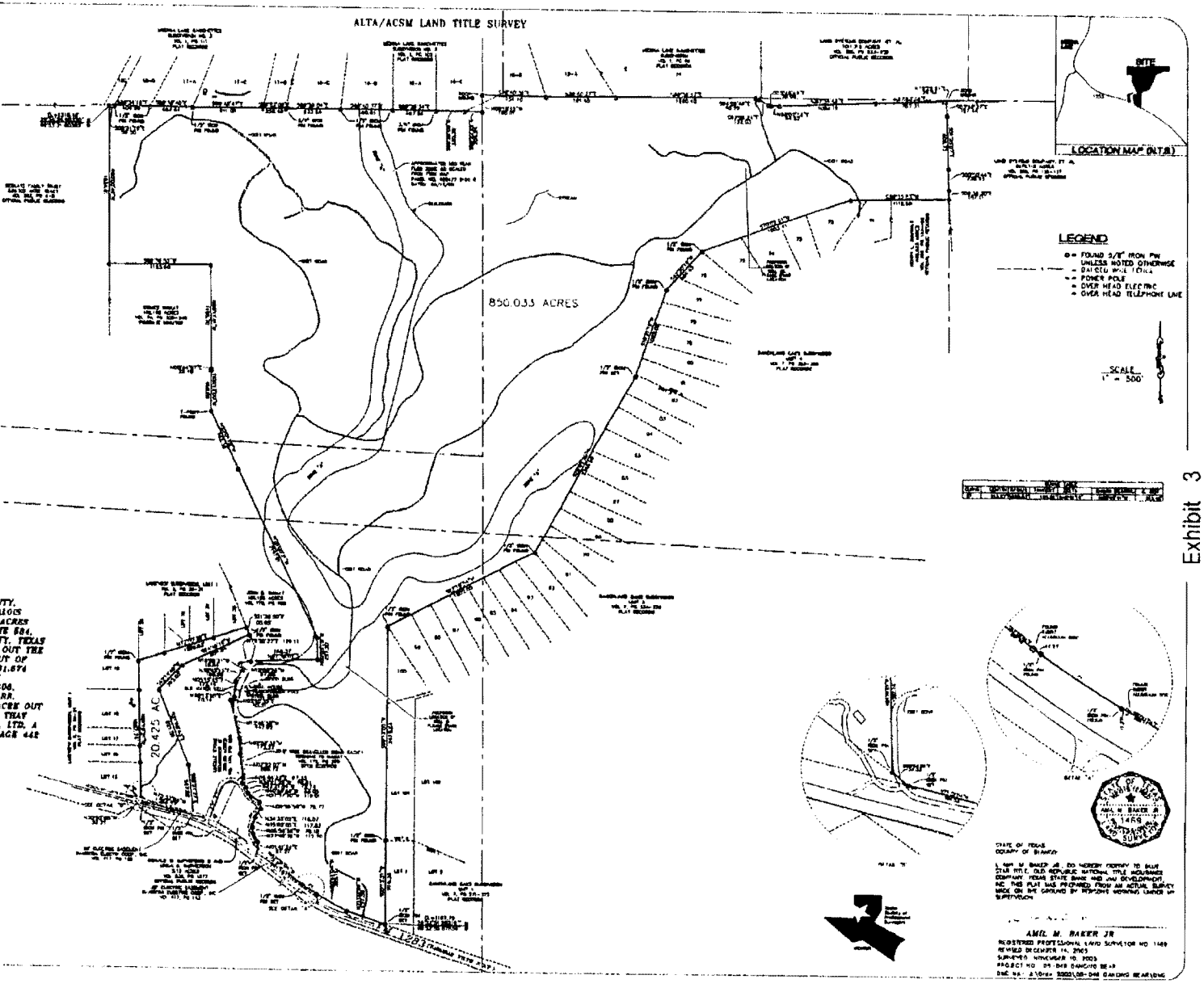
Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr.

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING."
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY G.F. NO. 0532166-CHAU EFFECTIVE DATE SEPTEMBER 12, 2005 ISSUED DATE SEPTEMBER 30 2005.
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN.
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 150 OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 411 PAGES 792, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT.
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 108, PAGE 317, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT. DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 672, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 672, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 151, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT.
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



PLAT SHOWING:
SURVEY OF 870.458 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT B OF LAND OUT OF THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1884, DESCRIBED AS 20.369 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 584, PAGE 727 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT 1 CONSISTING OF 164.080 ACRES OUT THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1884- 8.604 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1168-81.874 ACRES OUT OF THE FRANK BURRELL SURVEY NO. 65, ABSTRACT 1817-324.387 ACRES OUT OF THE LEUPOLD HABY SURVEY NO 408, ABSTRACT 1748 AND 303.779 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 306, ABSTRACT 1301 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1680 BEING THAT SAME 850.081 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD, A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 633, PAGE 448 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER SURVEYING & ENGINEERING, INC.

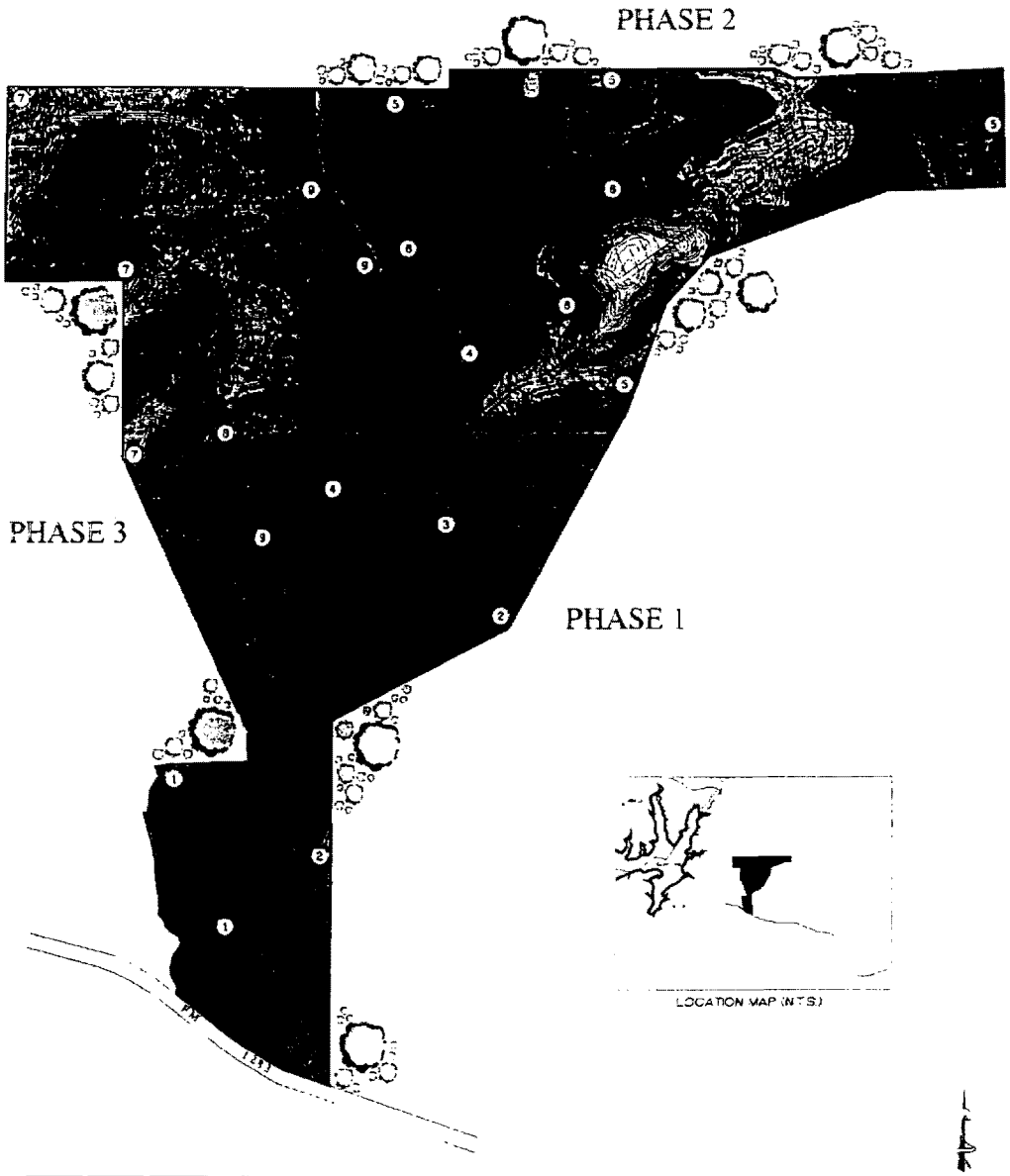
STATE OF TEXAS
COUNTY OF BEXAR

I, AMIL M. BAKER JR. DO HEREBY CERTIFY TO BLUE STAR TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND LAND DEVELOPMENT INC. THIS PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY MYSELF OR UNDER MY DIRECT SUPERVISION.

AMIL M. BAKER JR
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1469
REVISED DECEMBER 14, 2005
SURVEYED NOVEMBER 10, 2005
PROJECT NO. 05-048 DANCING BEAR
DWG. NO. A10-01 5000108-048 DANCING BEAR.DWG

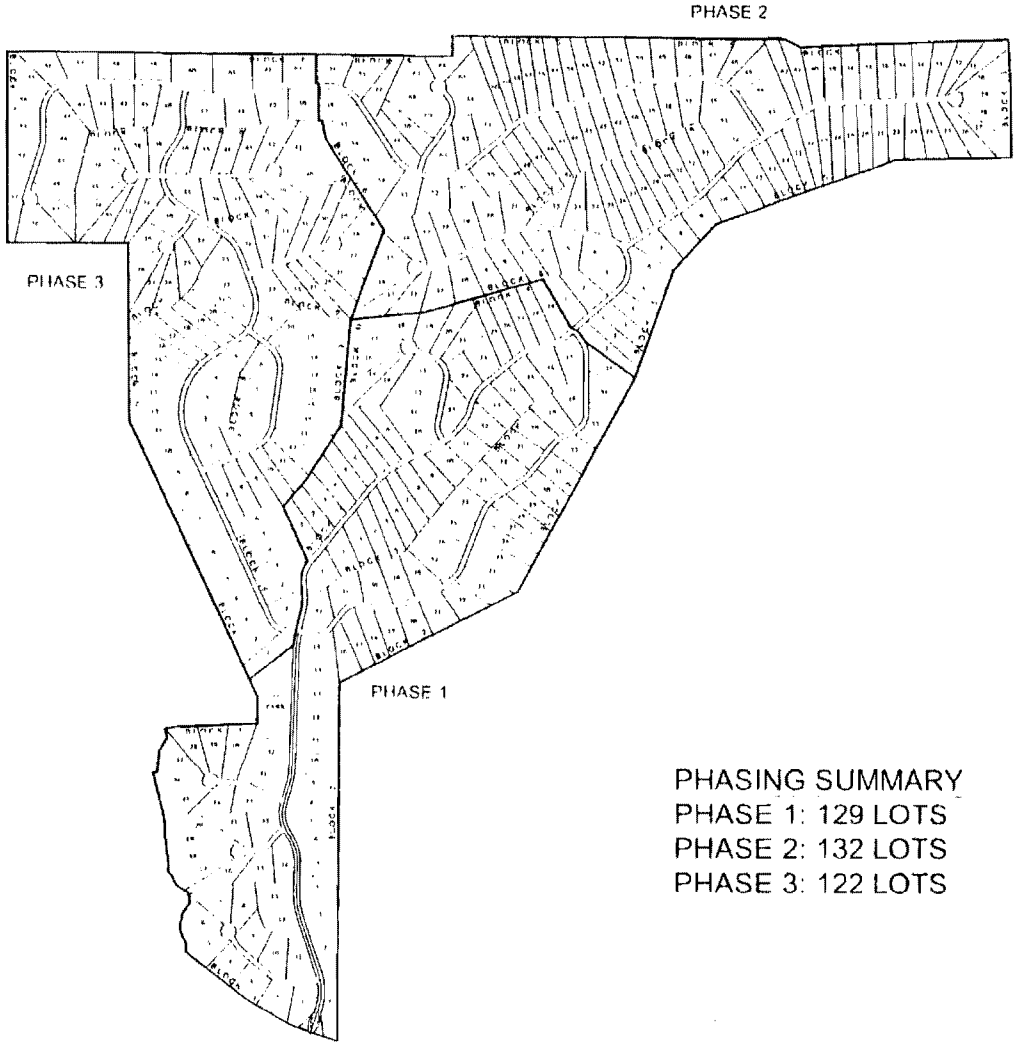
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS	§
	§
COUNTY OF BEXAR	§

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavoyne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

DRAFT

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director.

Preparer's Initials _____

DRAFT

G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part, however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

dedicate, grant and convey that infrastructure through the WCID to SAWS, lien free, upon completion of construction; and

WHEREAS, under the terms of the USA, SAWS will not extend any water mains to the project site and water provision will be provided through a self-contained satellite system; the Owners will construct all water infrastructure at their sole cost to the specifications of SAWS, and will convey the infrastructure to SAWS at no cost to SAWS; that upon acceptance, SAWS will own and operate the system, and shall provide water from wells constructed by the developer in the Trinity Aquifer located on the project site; that the developer will comply with SAWS stringent construction and water quality standards, and that wastewater treatment will be through septic tanks; and

WHEREAS, the City and Owners propose to enter into a Consent Agreement that establishes the mutually agreeable terms and conditions relating to the creation and operation of the District; and

WHEREAS, the Consent Agreement provides in part that the District cannot convert or merge into another district or annex land without City approval; provides for annexation of the District by the City; and further states that upon annexation, the City may set rates for water and may include additional surcharges for the purpose of recovering the District's debt and other obligations assumed by the City; **NOW THEREFORE:**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SAN ANTONIO:

SECTION 1. Consent to creation of District. The City Council of the City of San Antonio consents to the request of the property owners, Hills of Lake Medina, L.P., for the creation by the Medina County Commissioners Court of the Medina County Water Control and Improvement District No. 1, for the project known as "Kings Gate", encompassing approximately 850 acres in Medina County, in the extraterritorial jurisdiction of the City of San Antonio. A copy of the request is attached as Exhibit 1, and a map of the Project is attached as Exhibit 2.

SECTION 2. Authorization of City Manager to enter into Consent Agreement. The City Manager, or a designee, is authorized to enter into a written Consent Agreement, which establishes the mutually agreeable terms and conditions relating to the creation and operation of the District. A copy of the Consent Agreement in substantially final format is attached to this Resolution as Exhibit 3. Upon execution, a complete original copy shall be attached to this Resolution.

SECTION 3. Incorporation of Recitals. The statements set forth in the recitals of this Resolution are true and correct, and are incorporated as a part of this Resolution.

SECTION 4. Severability. If any provision of this Resolution or the application of this Resolution to any circumstance shall be held to be invalid, the remainder of this Resolution and the application of this Resolution to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared in this Resolution, and this Resolution would have been enacted without such invalid provision.

CWK
05/01/08
Item No. 4

SECTION 5. Effective Date: This Resolution is effective immediately upon the receipt of eight (8) affirmative votes.

PASSED AND APPROVED this 1st day of May 2008.

M A Y O R

PHIL HARDBERGER

ATTEST: _____
City Clerk

APPROVED AS TO FORM: _____
for City Attorney

EXHIBIT 1

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

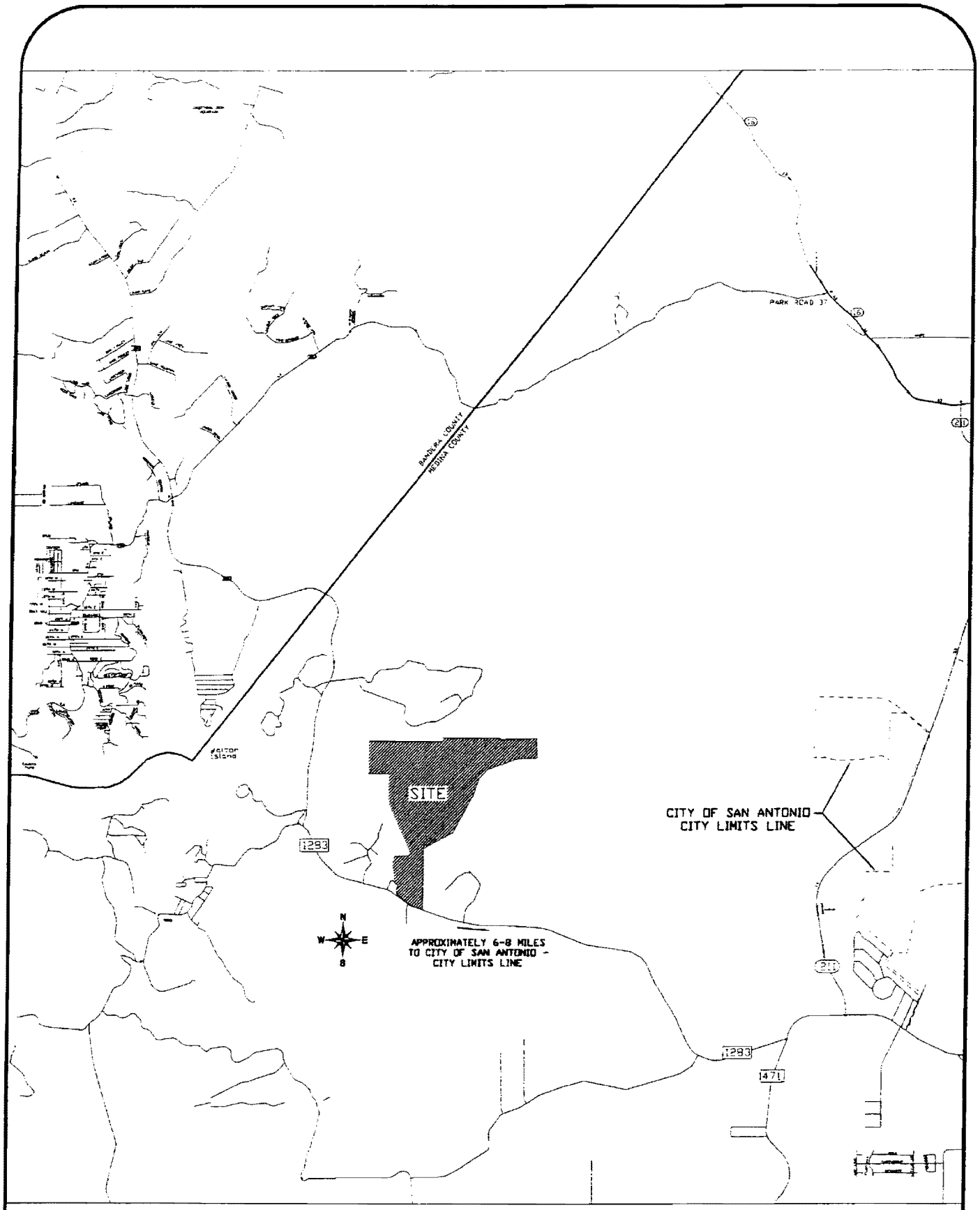
Very truly yours,

KAUFMAN & ASSOCIATES, INC.

By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke — Via hand delivery (w/enclosures)
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Mr. Keith Martin — Via hand delivery (w/enclosures)
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

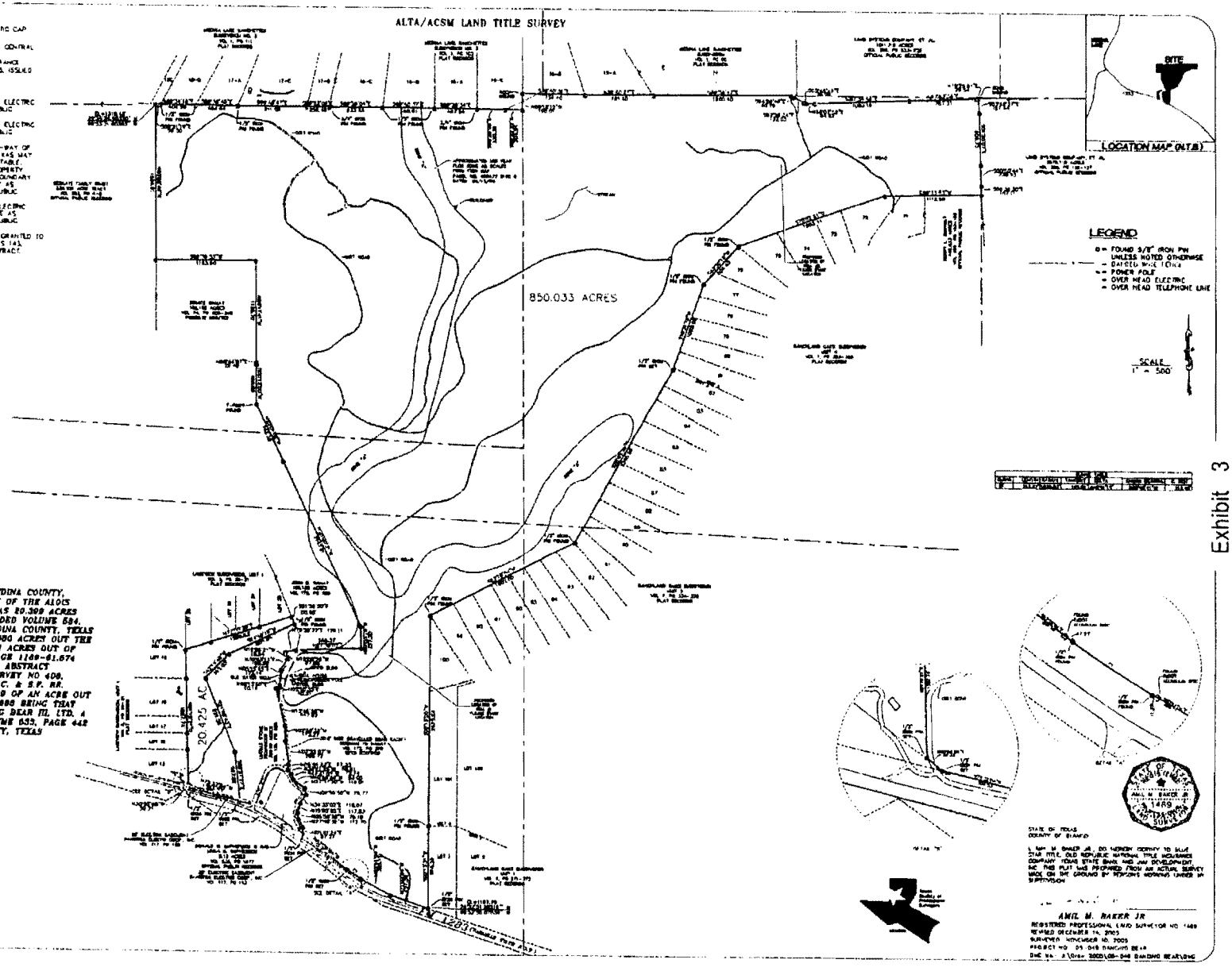
Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

ALTA/ACSM LAND TITLE SURVEY

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING"
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM TEXAS SOUTH CENTRAL ZONE #4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, GF NO. 0325168-CHAU EFFECTIVE DATE SEPTEMBER 12, 2005, ISSUED DATE SEPTEMBER 20 2005
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED
5) ALL IMPROVEMENTS ARE SHOWN
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE INC OF RECORD IN VOLUME 417 PAGES 150 OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 411 PAGES 392, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 317 DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY CLAIM OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 872, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 508, PAGE 872, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 143, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



PLAT SHOWING:
SURVEY OF 870.488 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.486 ACRE TRACT B OF LAND OUT OF THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1884, DESCRIBED AS 20.309 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 584, PAGE 787 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT I CONSISTING OF 164.080 ACRES OUT THE ALOIS HABY SURVEY NO. 308, ABSTRACT 1884- 0.604 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1149-61.674 ACRES OUT OF THE FRANK BURRELL SURVEY NO. 66, ABSTRACT 1817-324.387 ACRES OUT OF THE LEUPOLD HABY SURVEY NO 400, ABSTRACT 1746 AND 303.779 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1381 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 400, ABSTRACT 1688 BEING THAT SAME 850.081 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD. A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 633, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER SURVEYING & ENGINEERING, INC.

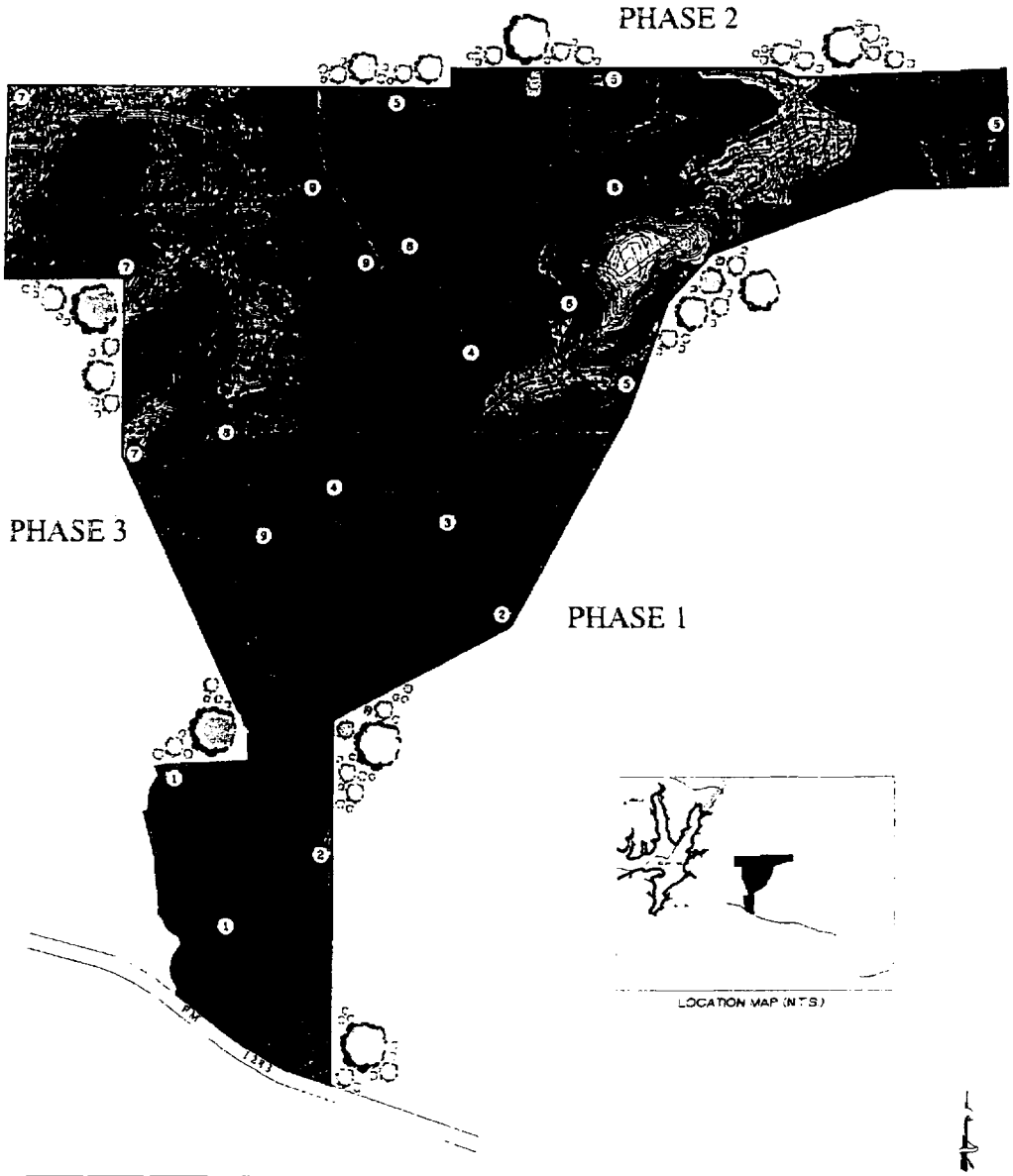
STATE OF TEXAS
COUNTY OF BEXAR

I, AMIL M. BAKER JR. DO HEREBY CERTIFY TO BLUE STAR TITLE, OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY, TEXAS STATE BANK AND JMM DEVELOPMENT, INC. THIS PLAT WAS PREPARED FROM AN ACTUAL SURVEY MADE ON THE GROUND BY PERSONS WORKING UNDER MY SUPERVISION

AMIL M. BAKER JR
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1489
REVISED DECEMBER 14, 2005
SURVEYED NOVEMBER 10, 2005
PROJECT NO. 05-048 DANCING BEAR
DWG No. J:\Dwg 2005\05-048 DANCING BEAR\DWG

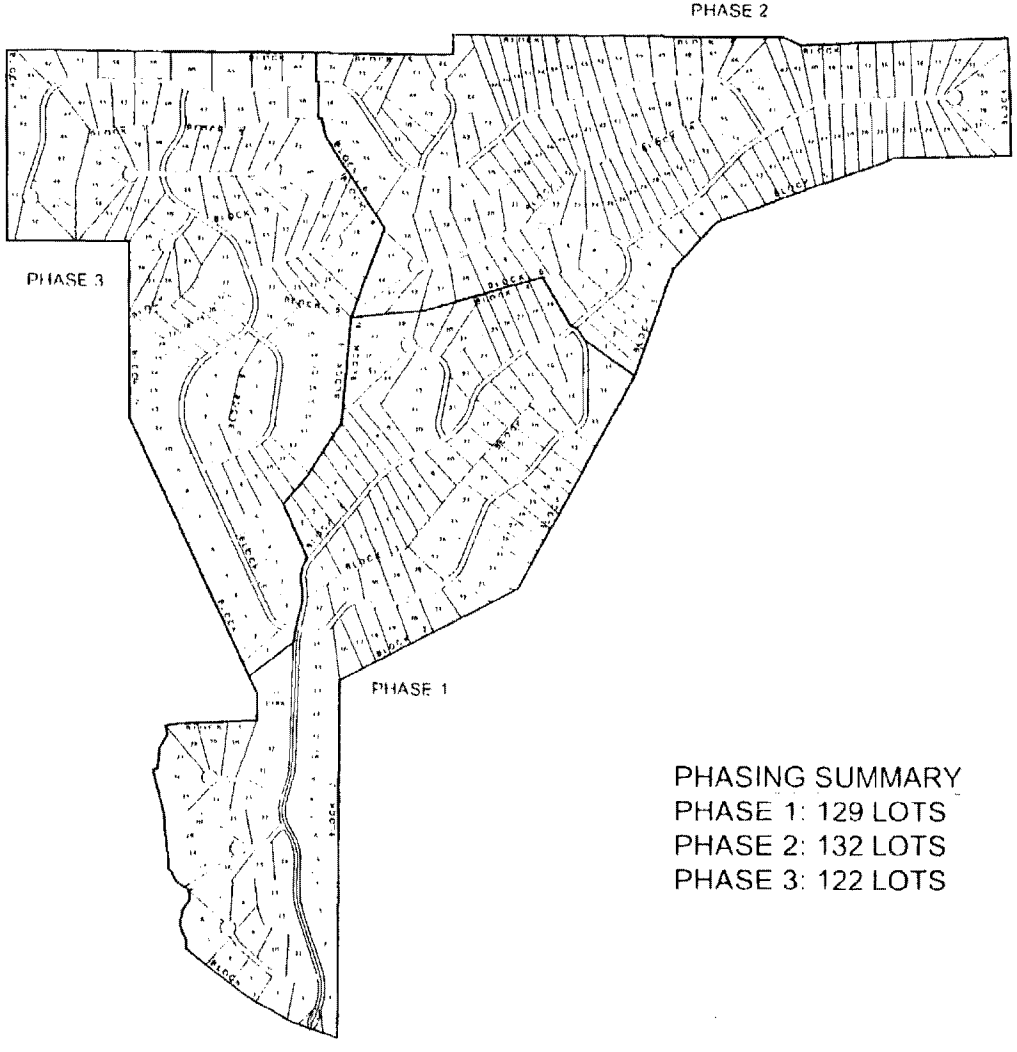
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS	§
	§
COUNTY OF BEXAR	§

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

DRAFT

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

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ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	**Developer**
_____	_____
By: David E. Chardavoyne	**By:** _____
Title: President Chief Executive Officer	**Title:** _____
Date: _____	**Date:** _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

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GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2. Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

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G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part, however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for oversizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

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G.C.11.00 Off-Site/On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

Preparer's Initials _____

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

Preparer's Initials _____

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S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure/facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

Preparer's Initials _____

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

EXHIBIT 2

EXHIBIT 3

DRAFT
04/30/08

AGREEMENT CONCERNING CREATION OF MEDINA COUNTY WATER CONTROL & IMPROVEMENT DISTRICT NO. 1

This Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1 (this "Agreement") is entered into by the City of San Antonio, a Texas Home Rule City situated in Bexar County, Texas, (the "City"), and Hills of Lake Medina, L.P. (the "Owner").

ARTICLE I
RECITALS

WHEREAS, the Owner represents that it is the owner of approximately 850 acres in Medina County, Texas, as shown on Exhibit A and described on Exhibit B attached to this Agreement (the "Land"). The Land lies entirely within the City's extraterritorial jurisdiction ("ETJ"); and

WHEREAS, the Owner filed a written request with the City on June 24, 2007, seeking the City's consent to the creation of the District, and clarified its request on August 23, 2007, with more project details (the "Consent Request"); and

WHEREAS, the purposes of this Agreement are to set out the mutually agreeable terms and conditions relating to the creation and operation of the District, which include the provisions under which the City has adopted its Resolution consenting to the creation of the District and consistent with Section 42.042 of the Texas Local Government Code; and

WHEREAS, on May 1, 2008, pursuant to the Consent Request, and Owners' request for consideration on that day, the City Council of the City adopted Resolution No. 2008R-05-01-____ consenting to the creation of the District (the "Consent Resolution"), which approved, and is subject to, the terms and conditions of this Agreement;

NOW THEREFORE, for and in consideration of the mutual agreements, covenants, and conditions hereinafter set forth, the Parties contract and agree as follows:

ARTICLE II
DEFINITIONS

"Agreement" means this Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1.

"Assignee" means a successor to Owner as defined in Section 8.09(b) of this Agreement.

"Attorney General" means the Attorney General of the State of Texas.

"Board" means the Board of Directors of the District.

"Bond" means (a) any instrument, including a bond, note, certificate of participation, certificate of obligation, or other instrument evidencing a proportionate interest in payments, due to be paid by the District, or (b) any other type of obligation that (1) is issued or incurred by the District under the District's borrowing power, without regard to whether it is subject to annual appropriation, and (2) is represented by an instrument issued in bearer or registered form or is not represented by an instrument but the transfer of which is registered on books maintained for that purpose by or on behalf of the District. The term shall include obligations issued to refund outstanding Bonds, but shall not include reimbursement agreements entered into between the District and a developer of the Land or bond anticipation notes.

"CCN" means a certificate of convenience and necessity or similar permit issued by the TCEQ authorizing a specified entity to be the retail water or sewer service provider in a specified area.

"City" means the City of San Antonio, Texas, a Home Rule City located in Bexar County, Texas.

"City Council" means the City Council of the City.

"City Manager" means the City Manager of the City.

"City Engineer" means one or more engineers hired or engaged to work for the City.

"City Review Fees" means: (a) the fees and charges applicable to the City's preliminary and final plat review and approval process according to the fee schedule adopted by the City Council and in effect on the date of submittal of each plat application; and (b) fees and charges applicable to the review of plans relating to construction of Infrastructure according to the fee schedule adopted by the City Council and in effect on the date of submittal of such plans.

"Consent Request" means the written request submitted by Owner and filed with the City on June 24, 2007, and amended on August 23, 2007, seeking the City's consent to the creation of the District, both letters attached as Exhibit C to this Agreement.

"Consent Resolution" means the Resolution No. ___ adopted May 1, 2008 by the City Council that approves this Agreement and that contains the City's consent to the creation of the District.

"Contractor" means a person or entity that constructs, alters or repairs Infrastructure required to serve the Land.

"District" means the Medina County Water Control & Improvement District No. 1, a district created pursuant to Article XVI, Section 59 of the Texas Constitution to be

created contiguous with the Land.

"District Confirmation Date" means the date on which the Board canvasses the results of the election held within the District confirming the creation of the District.

"Effective Date" means the effective date of this Agreement and is May 1, 2008 the effective date of the City's adoption of the Consent Resolution.

"ETJ" means the extraterritorial jurisdiction of a city as defined by the Texas Local Government Code, as amended.

"Infrastructure" means all water facilities, drainage infrastructure and the facilities related to those improvements installed or constructed to serve the Land, whether located within or outside the Land.

"Land" means that certain approximately 850 acre tract located in Bexar County, Texas as shown on Exhibit A and described on Exhibit B.

"Notice" means notice as defined in Section 8.01 of this Agreement.

"Owner" means Hills of Lake Medina, L.P., its successors and Assignees as permitted by this Agreement.

"Party" means, individually, the City, the Owner, or the District, their successors and their Assignees as permitted by this Agreement, collectively "Parties."

"SAWS" means the San Antonio Water System, an agency of the City of San Antonio.

"TCEQ" means the Texas Commission on Environmental Quality or its successor state agency.

"USA" means the Utility Service Agreement signed on December 13, 2007 between SAWS and the Owner, attached as Exhibit D.

"Water Code" means the Texas Water Code, as amended from time to time.

ARTICLE III
CONSENT TO CREATION

In accordance with the terms of the Agreement, the City consents to the creation of the District over the Land and the calling and holding of an election within the District to confirm the creation of the District. The City further acknowledges that the purpose of the District, among other matters, to construct, finance or have constructed, water and other improvements within the District's boundaries and that the District will have the authority to issue bonds for such purposes.

ARTICLE IV
CONSTRUCTION, OPERATION, MAINTENANCE AND INSPECTION OF DISTRICT WATER FACILITIES

4.01 Infrastructure Standards. The Owner and the District shall, at no cost to the City or SAWS, construct infrastructure in accordance with plans and specifications that have been approved by SAWS. All infrastructure shall be designed and constructed in compliance with: (a) the USA, including the rules and regulations of SAWS, (b) the rules and regulations, if any, of the District; so long as they are not in conflict with the rules and regulations of SAWS, and (c) the rules and regulations of TCEQ.

ARTICLE V
CONVERSION, ANNEXATION OR DISANNEXATION BY DISTRICT

The District shall not: (a) annex any additional lands to the District; (b) convert into another type of district; (c) consolidate with another district; or (d) divide into two or more new districts without prior City Council approval.

ARTICLE VI
ANNEXATION OF DISTRICT BY CITY

6.01 General Terms. The Parties acknowledge and agree that the Land lies wholly within the City's ETJ; is not bordered by another city, town, or village. The Parties further acknowledge that the creation of the District, and the City's consent thereto, are for purposes that include promoting the orderly development and extension of City services to the Land upon annexation.

6.02 Incorporation. In furtherance of the purposes of this Agreement, the District and the Owner, on behalf of themselves and their respective successors and Assignees covenant and agree to the extent allowed by law that, except upon written consent of the City Council, neither the District nor the Owner will: (a) seek or support any effort to incorporate the Land or any part thereof; or (b) sign, join in, associate with, or direct to be signed any petition seeking to incorporate any of the Land or seeking to include any of the Land within the boundaries of any other incorporated entity.

6.03 Annexation. The City will not annex the Land into the City any earlier than the first to occur of (a) the date that construction of water and drainage facilities to serve 90% of the Land is complete; (b) fifteen (15) years after the Effective Date; or (c) the dissolution of the District (other than as a result of annexation by the City). If the City annexes the entire area in the District, then the City will succeed to all the powers, duties, assets and obligations of the District, including but not limited to any rights and obligations under valid and duly-authorized contracts entered into by the District prior to the first notice of annexation (e.g., developer reimbursement agreement) and any bond obligations. The District will not enter into any developer reimbursement agreements or agreements for new projects or extraordinary expenses, except as necessary for continued operation and maintenance of existing District facilities, after publication of the first

notice of proposed annexation. As an alternative to the foregoing, and in the City's sole discretion, the City may exercise any options available under Chapter 43 of the Texas Local Government Code, or similar annexation laws of the State of Texas, that are in effect with regard to the provision of water and/or sewer service to areas within Water Control & Improvement Districts that are annexed by cities.

6.04 Owners Not to Contest Annexation. The Owner agrees not to contest the City's annexation of the Land pursuant to the terms of this Agreement.

6.05. Voluntary petition for annexation. Subject to the restrictions concerning when the City may annex the Land that are provided in Section 6.03, the Owners hereby agree that this Agreement constitutes a voluntary petition to the City, acting in the City's sole discretion, for annexation of the Property for full purposes under the provisions of Section 43.052(h) of the Texas Local Government Code at the time provided in Section 6.03. The City is not obligated to annex the Property for full purposes at any time.

To accomplish such annexation, the City will not need to take the following actions, all of which are waived by the Owners:

(a) adopt or amend an annexation plan to include the Property;
(b) give notice to any service providers in the area of the Property;
(c) compile an inventory of services provided to the area by both public and private entities prior to the City's annexation or make such inventory available for public inspection;
(d) complete a service plan that provides for the extension of full municipal services to the Property, other than the Service Plan;
(e) hold any public hearings; and
(f) undertake any negotiations for provision of services to the Property.

The Owners confirm and agree that, as the Owners are the sole owners of the Property as of the Effective Date, such voluntary petition may not be revoked by the Owners except as provided by this Consent, and is intended to be and shall be binding upon the Owners and their successors in interest in ownership of any right, title or interest in and to the Property or any part thereof.

Owners shall include the following language in each deed or lease of any part of the Property executed after the Effective Date, executed by or on behalf of the Owners:

> "This (conveyance or lease, as applicable) is made and accepted subject to that certain Voluntary Petition for Annexation, located in Section 6.05 of the Agreement Concerning Creation of Medina County Water Control & Improvement District No. 1, executed by the Owners and the City of San Antonio on May 1, 2008, which permits the City of San Antonio to annex the Property upon the terms and conditions set forth therein. Acceptance of this (conveyance or lease, as applicable) shall evidence your consent

and agreement to such annexation by the City and may be relied upon by the City as a beneficiary of your consent and agreement.

6.06. Waiver. The Owners irrevocably waive any and all legal requirements applicable to annexation of the Property by the City, to the fullest extent permitted by law. The Owners agree to execute any and all documents reasonably requested by the City to evidence such waiver and the consent granted.

6.07 City's acceptance. The City accepts the Owners' voluntary petition for annexation of the Property, subject to the terms and conditions of this Agreement.

6.08 Water Rates after Annexation. After annexation, the City may set rates for water and/or sewer services for property that was within the District at the time of annexation which may include a surcharge in addition to the rates charged to other ratepayers of the City for the purpose of wholly or partially compensating the City for the assumption of the District's obligations; provided that the City does not annex the area within the District until at least 90% of the Project facilities have been installed for which District bonds are authorized pursuant to this Agreement. Such additional surcharges shall be calculated to recover those District debts and other obligations assumed by the City upon annexation. The surcharge may continue for thirty (30) years after the initial District debt is issued or until the bonded indebtedness of the District has been retired, whichever occurs last, but in no case for a longer period of time than is necessary to wholly compensate the City for its assumption of the obligations of the District.

6.09 Deed Record Notice. Within thirty (30) days after the District Confirmation Date, the District shall file in the real property records of Medina County: (a) a notice in the form required by Section 49.452 of the Water Code stating that the City has the authority to annex the District subject to the limitations set forth in Section 6.03.

ARTICLE VII
TERM OF AGREEMENT

This Agreement shall be effective from the Effective Date and shall continue in effect until the District is annexed for full purposes and dissolved by the City or until terminated in writing by mutual agreement of the City and the District; provided, however, if the creation of the District has not been confirmed at an election conducted on or before May 31 2009, this Agreement will terminate without any further action by the Owner or the City, on June 1, 2009.

ARTICLE VIII
ADDITIONAL PROVISIONS

8.01 Notice. Any notices, certifications, approvals, or other communications (a "Notice") required to be given by one Party to another under this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below and shall be deemed given: (a) when the Notice is delivered in person to the person to whose attention the Notice is addressed; (b) when received if the Notice is deposited in the

United States Mail, certified or registered mail, return receipt requested, postage prepaid; (c) when the Notice is delivered by Federal Express, UPS, or another nationally recognized courier service with evidence of delivery signed by any person at the delivery address; or (d) five business days after the Notice is sent by FAX (with electronic confirmation by the sending FAX machine) with a confirming copy sent by United States mail within 48 hours after the FAX is sent. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the Notice shall be extended to the first business day following the Saturday, Sunday, or legal holiday. For the purpose of giving any Notice, the addresses of the Parties are set forth below. The Parties may change the information set forth below by sending Notice of such changes to the other Party as provided in this Section 8.01.

To the City:

City Clerk
City of San Antonio, Texas
P.O. Box 839966
San Antonio, TX 78283-3966
Attn: City Manager
FAX: (2210) 207-7032

To Owner:

Hills of Lake Medina, LP
Attn: Timothy L. Barton, Managing Member,
JMJ Lake Medina, LLC,
its General Partner
One Hickory Center
1800 Valley View Lane
Suite 150, LB4
Dallas, Texas 75234-8942

8.02 No Waiver. Any failure by a Party to insist upon strict performance by the other 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 hereto 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.

8.03 Governing Law and Venue. **THIS AGREEMENT MUST BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, AS THEY APPLY TO CONTRACTS PERFORMED WITHIN THE STATE OF TEXAS AND WITHOUT REGARD TO ANY CHOICE OF LAW RULES OR PRINCIPLES TO THE CONTRARY. THE PARTIES**

ACKNOWLEDGE THAT THIS AGREEMENT IS PERFORMABLE IN MEDINA COUNTY, TEXAS AND HEREBY SUBMIT TO THE JURISDICTION OF THE COURTS OF MEDINA COUNTY, TEXAS, AND HEREBY AGREE THAT ANY SUCH COURTS SHALL BE A PROPER FORUM FOR THE DETERMINATION OF ANY DISPUTE ARISING HEREUNDER.

8.04 Authority to Execute. The Owner warrants that the execution of this Agreement is duly authorized in conformity with the articles of incorporation, bylaws, partnership agreement, or other applicable organizational documents of the Owner and that the individual executing this Agreement on behalf of the Owner has been authorized to do so.

8.05 Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of the parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances, and a new provision shall be deemed substituted in lieu of the provision so severed which new provision shall, to the extent possible, accomplish the intent of the Parties as evidenced by the provision so severed.

8.06 Changes in State or Federal Laws. If any state or federal law changes so as to make it impossible for the City or Owner to perform its obligations under this Agreement, the Parties will cooperate to amend the Agreement in such a manner that is most consistent with the original intent of the Agreement as legally possible.

8.07 Additional Documents and Acts. Owner agrees that at any time after execution of this Agreement, they will, upon the request of the City, execute and/or exchange any other documents necessary to effectuate the terms of this Agreement and perform any further acts or things as the City may reasonably request to effectuate the terms of this Agreement.

8.08 Captions. Captions and headings used in this Agreement are for reference purposes only and shall not be deemed a part of the Agreement.

8.09 Assignment.

(a) The Owner, except in compliance with Section 8.09(b) below, may not assign this Agreement without the written consent of the City.

(b) The Owner has the right, from time to time, to assign this Agreement, in whole or in part, and including any obligation, right, title, or interest of Owner under this Agreement, to the District (after the District Confirmation Date) and to any person or entity (an "Assignee") without the consent of the City, provided that the following

conditions are satisfied: (1) if not the District, Assignee is a successor owner of all or any part of the Land or is a lender to a successor owner of all or any part of the Land; (2) if not the District, Assignee has a contractual right to be reimbursed for water or drainage improvements from District Bonds (or has a lien or other security interest in such reimbursements); (3) Assignee expressly assumes in the assignment any assigned obligations and expressly agrees in the assignment to observe, perform, and be bound by this Agreement to the extent this Agreement relates to the obligations, rights, titles, or interests assigned; and (4) a copy of the executed assignment is provided to all Parties within 15 days after execution. Provided the foregoing conditions are satisfied, from and after the date the assignment is executed by the Owner and Assignee, the City agrees to look solely to Assignee for the performance of all obligations assigned to Assignee and agrees that the Owner shall be released from performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations. No assignment by the Owner shall release the Owner from any liability that resulted from an act or omission by the Owner that occurred prior to the effective date of the assignment. The Owner shall maintain written records of all assignments made by Owner (including, for each Assignee, the Notice information required by this Agreement, and 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. It is specifically intended that this Agreement, and all terms, conditions and covenants herein, shall survive a transfer, conveyance, or assignment occasioned by the exercise of foreclosure of lien rights by a creditor or a Party, whether judicial or non-judicial. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors and Assignees. Notwithstanding the above, all conveyances of infrastructure to SAWS shall be free of any encumbrance, lien, debt or impairment, in accordance with the terms of the USA.

8.10 Amendment. This Agreement may be amended only with the written consent of all Parties and with approval of the governing bodies of the City.

8.11 Interpretation. The Parties acknowledge that each Party and, if it so chooses, its counsel have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. As used in this Agreement, the term "including" means "including, without limitation," and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular. Each defined term herein may be used in its singular or plural form whether or not so defined.

8.12 No Third Party Beneficiary. This Agreement is solely for the benefit of the Parties, and neither the City nor Owner intends by any provision of this Agreement to create any rights in any third-party beneficiaries or to confer any benefit upon or enforceable rights under this Agreement or otherwise upon anyone other than the City and Owner.

8.13 Incorporation of Exhibits by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference for the purposes set forth herein, as follows:

Exhibit A	Map of the Land
Exhibit B	Legal description of the Land
Exhibit C	Consent Request
Exhibit D	Utility Service Agreement

8.14 Conspicuous Provisions. The City and Owner acknowledge that the provisions of this Agreement set out in **bold**, CAPITALS (or any combination thereof) satisfy the requirements for the express negligence rule and/or are conspicuous.

8.15 Counterpart Originals. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

CITY OF SAN ANTONIO

By: _____
City Manager

Date: _____

ATTEST:

_____
City Clerk

APPROVED AS TO FORM

_____
City Attorney

OWNER:
Hills of Lake Medina, L.P.
by: JMJ/Lake Medina, LLC,
Its General Partner

By: _____
Timothy L. Barton, Managing Member

Date: _____

The State of Texas
County of _____

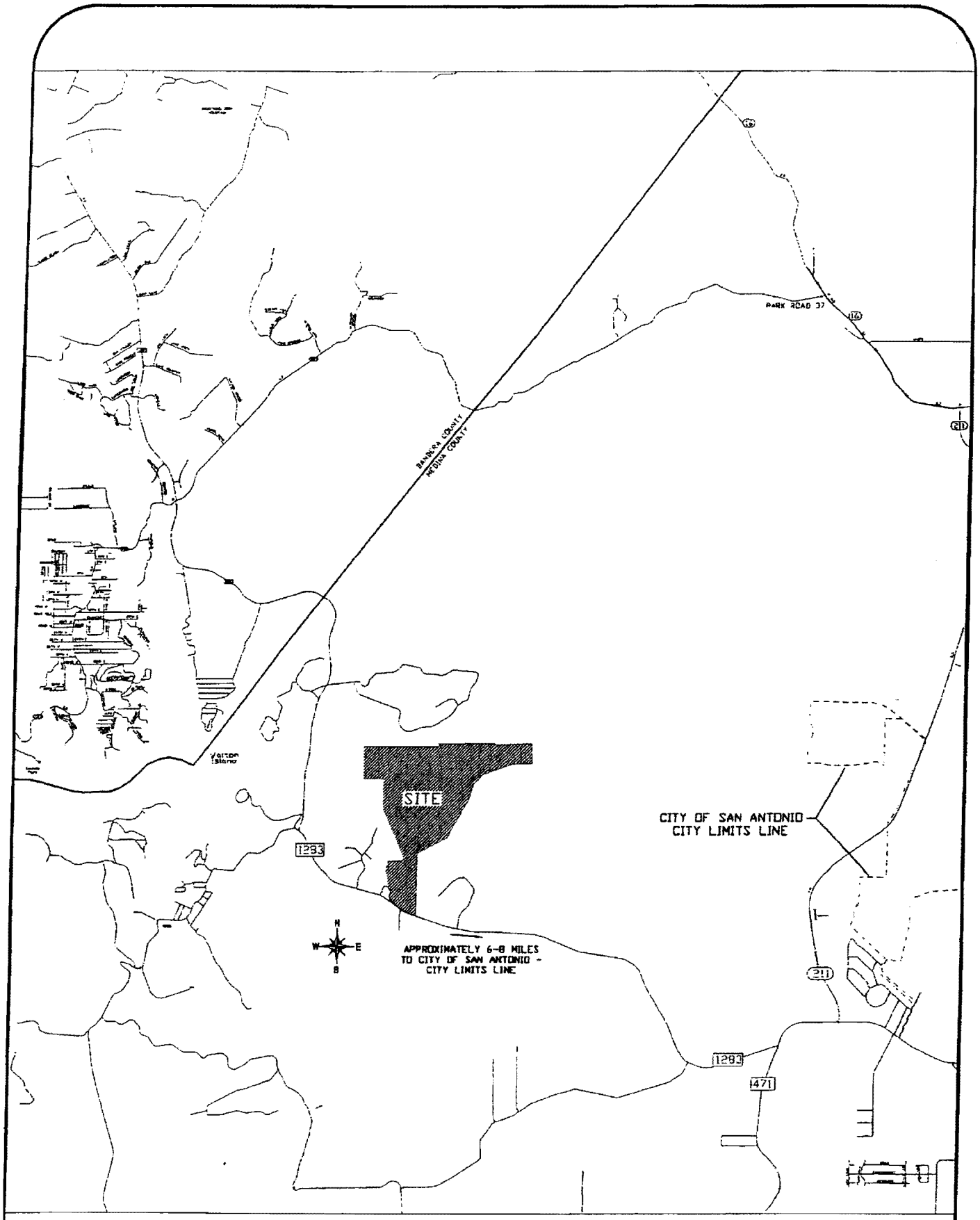
This instrument was acknowledged before me on _____, 2008, by Timothy L. Barton, Managing Member of JMJ/Lake Medina, LLC, General Partner of Hills of Lake Medina, L.P., property owner within the District.

_____
Notary Public, State of Texas
(PERSONALIZED SEAL)

_____
(Print name of Notary Public here)

My commission expires the_____
day of _____2008.

Exhibit A
Map of Land



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn
and Associates, Inc.

Exhibit B
Property Description

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr.

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

Exhibit C
Consent Request

HILLS OF LAKE MEDINA, LP

June 24, 2007

Ms. Leticia M. Vacek
City Clerk
City of San Antonio
City Hall
100 S. Flores
San Antonio, Texas 78205

Via hand delivery

Re: Request for consent to include approximately 850 acres of land in a conservation and reclamation district

Dear Ms. Vacek:

The Hills of Lake Medina LP owns an approximate 850 acre tract located along FM 1283 less than two miles east of Medina Lake, entirely in Medina County. We intend to develop this property into a residential development now known as Kings Gate. A site map showing the location of Kings Gate is enclosed as Exhibit 1.

This letter is to request, pursuant to §42.042(a), Texas Local Government Code, the City of San Antonio to pass and to adopt an ordinance or a resolution consenting to the creation of a conservation and reclamation district established for the purposes of providing fresh water, sanitary sewer services, roadways, and drainage that includes the approximate 850 acres of the Kings Gate development site described in the enclosed Exhibits 2 and 3 that are within the extra-territorial jurisdiction of the City of San Antonio.

By way of background, Kings Gate is located more than 5.5 miles from the closest San Antonio Water System ("SAWS") water main connection. We estimate that the cost to extend SAWS water service to Kings Gate is $7.6 Million. The development will be low-density, approximately 381 residences, with on-site septic (because of the large residential lots), water production and treatment facilities and other public improvements to serve the needs of development.

To facilitate construction of the infrastructure that is required to provide water, roadways, and drainage to this development, the Hills of Lake Medina LP proposes to create a conservation and reclamation district that is authorized by Article 16, Section 59 of the Texas Constitution. The proposed district will include all of the land within the project.

One Hickory Centre, 1800 Valley View Lane, Suite 150 LB4, Dallas, TX US 75234
Phone (972) 385-9934 Fax (972) 241-4484 www.imiholdings.com

The entire property is located, which is more particularly described in the survey and field notes that are enclosed as Exhibits 2 and 3 respectively, within the extra-territorial jurisdiction of the City of San Antonio. The Texas Local Government Code provides that the City of San Antonio must have an opportunity to consent to the inclusion of land located within its extra-territorial jurisdiction into a conservation and reclamation district before the Texas Commission on Environmental Quality or other governmental entity independently considers an application for that purpose.

The general nature of the work to be done by the proposed District at the present time is the acquisition, construction, operation, and maintenance of a waterworks system for municipal, domestic, industrial, and commercial purposes; the acquisition, construction, operation, and maintenance of a drainage system to control, store, preserve, and distribute floodwater and the control, abatement, and change of harmful excesses of water; the acquisition, construction, operation, and all such other purchase, construction, acquisition, ownership, lease, operation, maintenance, repair, improvement, and extension of such additional improvements, facilities, plants, equipment, and appliances as shall be consonant with the purposes for which the District shall be organized. Additional purposes include the acquisition, construction and maintenance of roads and recreational facilities.

There is a necessity for the improvements above described. The territory in the proposed District is near the City of San Antonio, Texas, and will be developed for residential purposes. Adequate waterworks system, sanitary sewer system, drainage, storm sewer system recreational facilities and roads do not currently exist in this area. Consequently, the construction, acquisition, maintenance and operation of an adequate waterworks system, drainage, storm sewer system, recreational facilities and roads are necessary to assure the health and welfare of the present and future inhabitants of the District and adjacent areas.

A preliminary investigation has been made to determine the cost of the District's project, and it is now estimated by the Petitioners, from such information as they have at this time, that the cost of said project will be approximately $12,000,000.00.

Should you have any questions, please contact Mr. Micky May, 1800 Valley View Lane, Suite 150 LB4, Dallas, Texas 75234-8942; (972)-385-9934. We look forward to working with the City of San Antonio on this endeavor.

Very truly yours,

The Hills of Lake Medina LP

By:

Tim Barton
Manager

LAW OFFICES OF
KAUFMAN & ASSOCIATES, INC.
Frost Bank Tower, Suite 1250
100 West Houston Street
SAN ANTONIO, TEXAS 78205-1457
TEL: (210) 227-2000 FAX: (210) 227-2001

RECEIVED
AUG 23 2007
City Attorney's Office
San Antonio, Texas

August 23, 2007

Ms. Camila Kunau
Assistant City Attorney
Office of the City Attorney
100 Military Plaza, Third floor
San Antonio, Texas 78205

Via hand delivery

Re: The Hills of Lake Medina, L.P.

Dear Ms. Kunau:

By letter dated June 24, 2007, The Hills of Lake Medina, L.P. requested that the City of San Antonio (the "City") consent to the creation of a conservation and reclamation district that includes approximately 850 acres of land that is located within the extraterritorial jurisdiction of the City. This letter will respond to your request for additional information.

The Hills of Lake Medina, L.P. is the developer of an approximately 850 acre tract of land (the "Developer") that is located entirely in Medina County, approximately two miles east of Lake Medina. A vicinity map, survey, and metes and bounds description of the development site are included as Exhibits 1, 2, and 3, respectively. The project will include approximately 383 single family residential home sites that will be constructed in three phases on the 850.033 acre tract that is described as Tract 1 in the enclosed Exhibit 2 (see Exhibits 4 and 5, enclosed).

The project site is more than five and one-half (5 ½) miles from the closest San Antonio Water System ("SAWS") water main, and over 10 miles from a wastewater main with capacity to serve this development. The Developer will construct a satellite water well and distribution system in accordance with the requirements of a Utility Service Agreement (Exhibit 6, enclosed) to serve potable water requirements. On-site septic will provide the wastewater treatment for this low density development.

A Utility Service Agreement for this project was approved by the SAWS Board of Trustees on April 3, 2007 (Exhibit 6). Amendments to this agreement are currently being discussed with SAWS. Additional governmental approvals that have been obtained for this development include (i) a water pollution abatement plan approved by the Texas Commission on

Environmental Quality on August 25, 2006, (ii) a tree preservation plan approved by the City on June 25, 2007, and (iii) a preliminary plat that was initially approved May 22, 2006, and then extended on July 9, 2007, by the Medina County Commissioners Court .

To facilitate construction of the infrastructure to provide water, roadway, and drainage facilities to this development, the Developer requests that the City consent to the creation of one water control and improvement district that will include all of the 850.033 acre tract of land that is described in Exhibits 3 and 4. The creation of a water control and improvement district will provide a vehicle for financing the construction of the infrastructure necessary to provide public services to this development.

Very truly yours,

KAUFMAN & ASSOCIATES, INC.

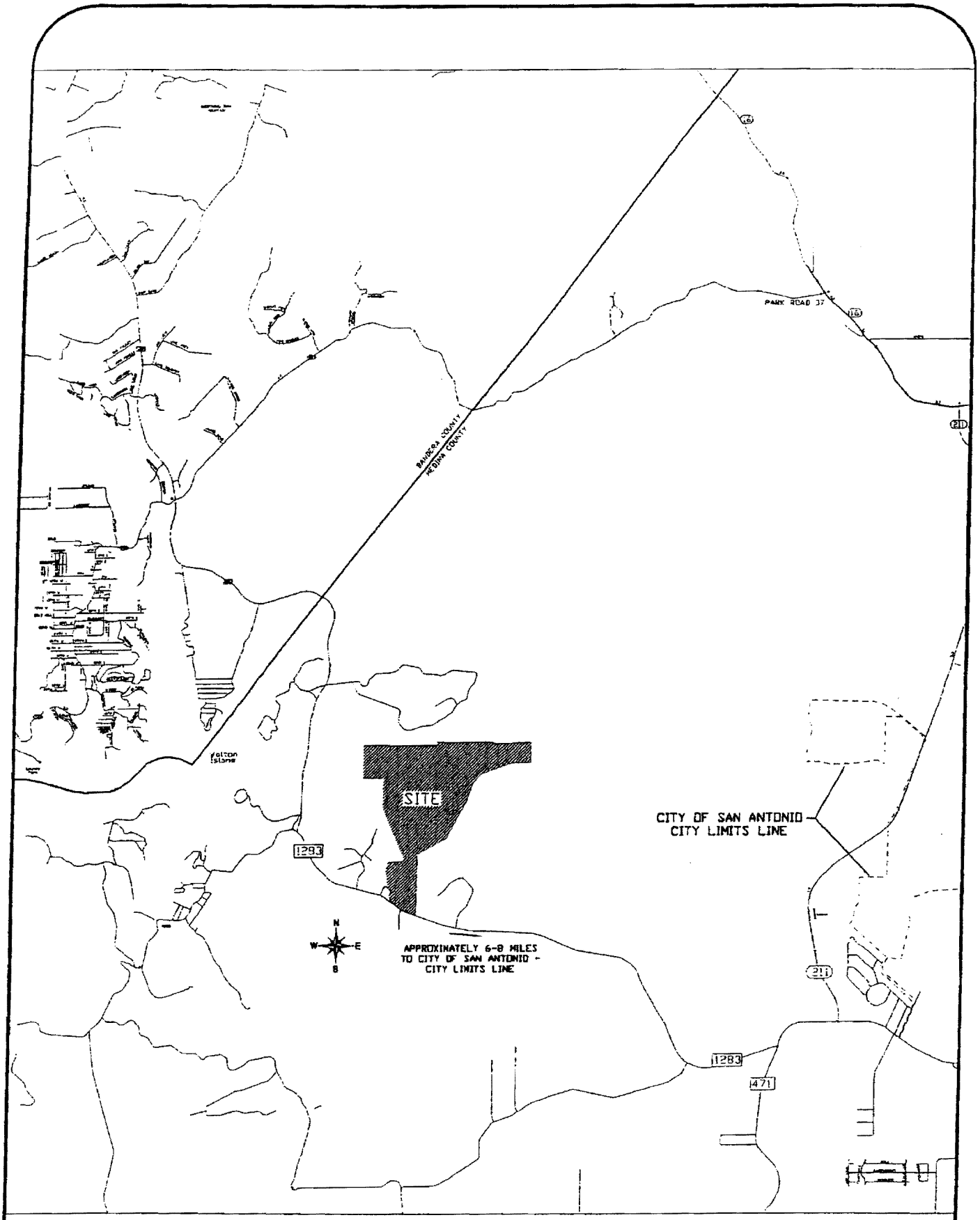
By: _____
John T. Reynolds

Cc: Mr. Milo Nitschke
Senior Project Manager
Office of the City Manager
100 Military Plaza, First Floor
San Antonio, Texas 78205

Via hand delivery (w/enclosures)

Mr. Keith Martin
Corporate Counsel
Legal Department
San Antonio Water System
2800 U.S. Highway 281 North
San Antonio, Texas 78212

Via hand delivery (w/enclosures)



VICINITY MAP
N.T.S.= NOT TO SCALE

Exhibit 1

Kimley-Horn and Associates, Inc.

BAKER
SURVEYING &
ENGINEERING, INC.

2250 US 281 N
Blanco, TX 78606
Phone: 830-833-2250
FAX: 830-833-2257

Field notes of 870.458 acres of land situated in Medina County, Texas being a 20.425 acre Tract 2 of land out of the Alois Haby Survey No. 398, Abstract 1824, described as 20.399 acres conveyed to BP Dancing Bear III Ltd. and recorded in Volume 584, Page 727 of the Official Public Records of Medina County, Texas and a 850.033 acre Tract 1 consisting of 154.080 acres out the Alois Haby Survey No. 398, Abstract 1824- 5.504 acres out of the H. E. & W.T. RR. Company Survey No. 397, Page 1169-61.574 acres out of the Frank Burrell Survey No. 65, Abstract 1817-324.387 acres out of the Leupold Haby Survey No. 408, Abstract 1746 and 303.779 acres out of the G. C. & S.F. RR. Company Survey No. 399, Abstract 1391 and 0.709 of an acres out of the Dallas Gillis Survey No. 400, Abstract 1688 being that same 850.061 acre tract conveyed to Dancing Bear III, LTD, a Texas Limited Partnership and recorded in Volume 533, Pages 442 of the Official Public Records of Medina County, Texas and being more particularly described by metes and bounds as follows: Note: All iron pin set are ½" rebar with a yellow plastic cap Stamped "Baker Survey".

TRACT 1 850.033 acres

Beginning at a 5/8" iron pin found in the northeast line of Farm to Market Road 1283 (variable width R. O. W.) for the southeast corner of this tract and the southwest corner of Lot 1, Ranchland Oaks Subdivision Unit 1 as recorded in Volume 7, Page 271-272 of the Plat Records of Medina County, Texas.

Thence, generally along a fence and with the southwest line of this tract and the northwest line of F. M. 1283 as follows:
N 71°06' 04" W. 457.59 feet to a 5/8" iron pin found at an angle point.
N 60° 41' 04" W. 385.11 feet to a Texas Department of Public Transportation found at the beginning of a curve to the right.
Northwesterly along the arc of said curve to the right having a radius of 1829.83 feet, a central angle of 06° 41' 14" a distance of 213.57 feet (Chord Bears: N 55° 48' 41" W. 213.45 feet) to a Texas Department Concrete Monument found at the end of said curve.
N 52° 28' 04" W. 641.16 feet to an iron pin set at the intersection of the northeast line of F. M. 1283 and the east line of the Old Cliff-Medina Lake Toll Road (abandoned) for the southwest corner of this tract.

Thence, generally along a fence, with a west line of this tract and the east line of the Cliff-Medina Toll Road as follows:
N 01° 41' 24" E. 87.27 feet to a 5/8" iron pin found at an angle point.
N 27° 46' 36" W. 112.70 feet to a 5/8" iron pin found at an angle point.
N 05° 56' 58" W. 76.18 feet to a 5/8" iron pin found at an angle point.
N 15° 02' 05" E. 117.83 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.

N 34° 35' 02" E. 118.07 feet to a 5/8" iron pin found in the base of a cedar tree fence corner at an angle point.
N 09° 59' 58" W. 78.77 feet to a 5/8" iron pin found at an angle point.
N 57° 37' 20" W. 119.01 feet to a 5/8" iron pin found at an angle point.
N 40° 58' 59" W. 53.05 feet to a 5/8" iron pin found at an angle point.
N 23° 21' 54" W. 72.74 feet to a 5/8" iron pin found at an angle point.
N 39° 41' 25" W. 58.61 feet, unfenced to a 5/8" iron pin found at a 3 way fence corner post (fences removed)at the end of the Old Cliff-Medina Toll Road and the beginning of County Road 277 (formerly the Old Toll Road for the southwest corner of this tract and the northernmost southeast corner of a remainder of the 329.50 acre tract conveyed to Lucille Stone and recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence generally along a fence and with the lower west line of this tract and the east line of the Lucille Stone remainder of the 329.50 tract as follows:
N 05° 44' 22" E. 67.25 feet to a 5/8" iron pin found at an angle point.
N 07° 22' 07" W. 286.72 feet to a 5/8" iron pin found at an angle point.
N 02° 39' 32" W. 173.27 feet to a 5/8" iron pin found at an angle point.
N 13° 46' 38" W. at 274.1 feet pass under an electric Transmission line, Bearing N 20° 27' E across, this tract, in all a total distance of 447.02 feet to a 5/8" iron pin found at an angle point.
N 88° 13' 50" E. 40.14 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 02° 10' 35" E. 40.31 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 05° 15' 45" E. 172.14 feet (unfenced) to a 5/8" iron pin found on the south bank of a creek.
N 30° 43' 13' E. 155.60 feet to a 5/8" iron pin found at an angle point.
N 16° 56' 21" W. 19.64 feet (unfenced) to a 5/8" iron pin found at an angle point.
N 18° 05' 25" W. 67.08 feet (unfenced) to a 5/8" iron pin found at an old fence corner post for a lower northwest corner of this tract and being an interior corner of the Lucille Stone Tract.

Thence N 79° 28' 22" E. 129.11 feet with a lower north line of this tract and a south line of the Lucille Stone Tract to a 7" fence corner post for an angle in this line and being the upper southwest corner of the Lucille Stone property and the southwest corner of a John B. Wanut 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas.

Thence N 87° 38' 02" E. 756.37 feet with the lower north line of this tract and the south line of the 102.108 acre tract to a 5/8" iron pin found at a cedar fence corner post for an interior corner of this tract and the southeast corner of the 102.108 acre tract.

N 00° 03' 29" W. 257.20 feet to a 5/8" iron pin found at an angle point.

Thence generally along a fence and with the west line of this tract and the east line of the 102.108 acre tract as follows:
N 25° 00' 31" W. 2147.91 feet to a 5/8" iron pin found at a fence corner post.
N 25° 01' 02" W. 746.35 feet to a "T" fence corner post for an angle point.
N 00° 12' 00" W. 465.88 feet to a 5/8" iron pin found at an angle point.
N 00° 44' 07" E. 26.49 feet to a 5/8" iron pin found at a 6" cedar tree for an angle point.

N 00° 11' 41" W. 1195.70 feet to a 5/8" iron pin found for an interior corner of this tract and the northwest corner of the 102.108 acre tract.

Thence S 89° 39' 55" W. 1153.60 with a south line of this tract and the north line of the 102.108 acre tract to a 2" steel fence corner post in the east line of a 330.221 acre Seekatz Family Trust tract recorded in Volume 362, Page 4 of the Official Public Records of Medina County, Texas.

Thence N 00° 00' 46" W. 1834.91 feet, generally along a fence and with the west line of this tract and the east line of the 330.221 acre tract to a 5/8" iron pin found at a fence corner post in the Ostensible north line of Survey No. 408 and the south line of Survey No. 407 G.C. & S.F.RR Co. and in the south line of Medina Lake Ranchettes Subdivision Unit 3 according to a Plat of record in Volume 1, Page 111 of the Plat Records of Medina County, Texas for the northwest corner of this tract and being the northeast corner of the 330.221 acre tract.

Thence with fence, said survey line, the south side of Medina Lake Ranchettes No. 3 and Medina Lake Ranchettes No. 2 as recorded in Volume 1, Page 102 of the Plat Records of Medina County, Texas and the north line of this tract as follows:
S 89° 21' 19" E. 56.50 feet to a ½" iron pin found at an angle point.
S 89° 34' 18" E. 404.99 feet to a ½" iron pin found at an angle point.
S 89° 38' 40" E. 484.64 feet to a ½" iron pin found at an angle point.
S 89° 48' 47" E. 811.89 feet to a 5/8" iron pin found at an angle point.
S 89° 52' 09" E. 258.45 feet to a ¾" iron pin found at an angle point.
S 89° 59' 04" E. 622.65 feet to a ½" iron pin found at an angle point.
S 89° 40' 37" E. 590.61 feet to a ½" iron pin found at an angle point.
S 89° 26' 34" E. 487.56 feet to a ¾" iron pin found at an angle point.
S 89° 26' 05" E. 330.39 feet to a 5/8" iron pin found at an angle point.
S 89° 29' 22" E. 204.24 feet to an 5/8" iron pin found in the west line of Survey No. 399 for a corner of this tract, the northeast corner of Survey No. 408 and the southeast corner of Survey No. 407.

Thence N 00° 10' 12" W. 190.01 feet (unfenced) with a west line of this tract, the east line of Medina Lake Ranchettes and Survey No. 399 and the east line of Survey No. 407 to an old rock mound found for the northwest corner of Survey No. 399, a reentrant corner of Survey No. 407 and a northwest corner of this tract.

Thence, generally along a fence and with the north line of this tract and Survey No. 399, the south line of Survey No. 407 and 402 and the Medina Lake Ranchettes Unit 2 and Medina Lake Ranchettes as recorded in Volume 1, Page 99 of the Plat Records of Medina County, Texas as follows:
S 88° 40' 36" E. 734.40 feet to a 5/8" iron pin found at an angle point.
N 89° 40' 27" E. 791.48 feet to a 5/8" iron pin found at an angle point.
N 89° 38' 47" E. 1590.48 feet to a 5/8" iron pin found at an angle point the north line of this tract, said point being N 89° 38' 47" W. 73.8 feet from the southeast corner of Medina Lake Ranchettes.

Thence, leaving said survey line generally along a fence and with the north line of this tract and the south line of Land Systems Company 1011.310 acre tract recorded

in Volume 359, Pages 623-629 of the Official Public Records of Medina County, Texas as follows:
S 64° 26' 46" E. 40.29 feet to a 5/8" iron pin found at an angle point.
S 62° 26' 24" E. 132.03 feet to a 5/8" iron pin found at an angle point
S 68° 45' 49" E. 36.95 feet to a 5/8" iron pin found at an angle point.
N 89° 07' 56" E. 94.52 feet to a 5/8" iron pin found at an angle point.
N 87° 34' 46" E. 1089.19 feet to a 5/8" iron pin found at an angle point.
N 87° 53' 36' E. 767.31 feet to a 5/8" iron pin found at an angle point.
N 79° 29' 51' E. 29.54 feet to a 5/8" iron pin found at corner of a fence for the northeast corner of this tract and being the northwest corner of a 2578.110 acre tract conveyed to Land Systems Company, et. al and recorded in Volume 359, Pages 126-137 of the Official Public Records of Medina County, Texas, said point being S 42° 22' 23" E. 13.16 feet from an old rock mound at the northeast corner of Survey No. 399, the Northwest Corner of Survey 400.

Thence with the upper east line of this tract and the west line of the 2578.110 acre tract as follows:
S 03° 48' 27" E. 167.44 feet to a 5/8" iron pin found at an angle point.
S 01° 20' 07" E. 606.75 feet to a 5/8" iron pin found at an angle point.
S 00° 50' 44' E. 238.63 feet to a 5/8" iron pin found at an angle point.
S 00° 36' 30" E. 107.11 feet to a 5/8" iron pin found for the upper southeast corner of this tract and being the northeast corner of a 446.833 acre tract conveyed to Henry Zumwalt and recorded in Volume 369, Page 153-162 of the Official Public Records of Medina County, Texas

Thence S 88° 33' 53" W. 1112.99 feet with the upper south line of this tract and the north line of the 446.833 acre tract and Tract 71 and part of 72 of Ranchland Oak Subdivision Unit 4 according to a Plat of record in Volume 7, Pages 365-266 of the Plat Records of Medina County, Texas.

Thence with the southeast line of this tract and the northwest and west line of Ranchland Oaks Subdivision Unit 4, Unit 3 as recorded in volume 7, Page 334-336 and Unit 1 as follows:
S 70° 02' 51" W. 1803.41 feet to a ½" iron pin found at an angle point.
S 42° 30' 19" W. 604.48 feet to a ½" iron pin found at an angle point.
S 19° 31' 19" W. 1069.09 feet to a ½" iron pin set at an angle point.
S 28° 45' 29" W. 2345.96 feet to a ½" iron pin found at an angle point.
S 62° 18' 54" W. 1902.05 feet to a ½" iron pin found at an angle point.
S 00° 13' 05" W. 2475.84 feet to a ½" iron pin found at an angle point.
S 00° 13' 31" W. 974.39 feet to the place of beginning and containing 850.033 acres of land.

TRACT 2 20.425 acres.

Beginning at a 5/8" iron pin found in the northeast line of the Old Cliff-Medina Road for the southwest corner of this tract and being the southeast corner of Lot 15 of Lakeview Subdivision Unit 1 as recorded in Volume 5, Page 20-21 of the Plat Records of Medina County, Texas, said point being N 01° 19' 21" W. 17.2 feet from a 3" steel fence post found in the northeast right of way line of Farm to Market Road 1283.

Thence N 01° 19' 21" W. 1587.74 feet with the west line of this tract and the east line of Lots 15-19 of said Subdivision to a ½" iron pin found for the northwest corner of this tract and being the northeast corner of Lot 19 and the southeast corner of Lot 35.

Thence N 72° 00' 28" E. 1299.63 feet with the northeast line of this tract and the southwest line of said subdivision to a ½" iron pin found in the west line of a 102.108 acre tract recorded in Volume 172, Page 558 of the Official Public Records of Medina County, Texas for the northeast corner of this tract.

Thence S 21° 39' 59" E. 90.95 feet with the northeast line of this tract and the west line of the 102.108 acre tract to a ½" iron pin found for the east corner of this tract and being the north corner of the remainder of a 329.50 acre tract recorded in Volume 176, Page 558 of the Official Public Records of Medina County, Texas.

Thence with the southeast and east line of this tract and the northwest and west line of said remainder of the 329.50 acre tract as follows:
S 64° 49' 16" W. 854.84 feet to a 5/8" iron pin found at an angle point.
S 42° 14' 46" W. 393.03 feet to a 5/8" iron pin found at an angle point.
S 21° 48' 43" E. 921.56 feet to a 5/8" iron pin found at an angle point.
S 05° 57' 27" E. 567.88 feet to a ½" iron pin with Baker Survey plastic cap set in the northeast right of way line of F. M. 1283 for the southeast corner of this tract and being the southwest corner of said remainder of the 329.50 acre tract, said point bears N 05° 57' 27" W. 1.27 feet from a 5/8" iron pin found.

Thence N 75° 32' 04" W. 584.53 feet with the southwest line of this tract and the northeast line of F. M. 1283 to a ½" iron pin with yellow cap stamped "Baker Survey" set at its intersection with the northeast line of the Old Cliff–Medina Lake Road for an angle in line.

Thence N 50° 55' 05" W. 39.31 feet with the northeast line of the Old Cliff-Medina Lake Road and the southwest line of this tract to the place of beginning and containing 20.425 acres of land according to a survey on the ground on November 10, 2005 by Baker Surveying and Engineering, Inc.

SUMMARY

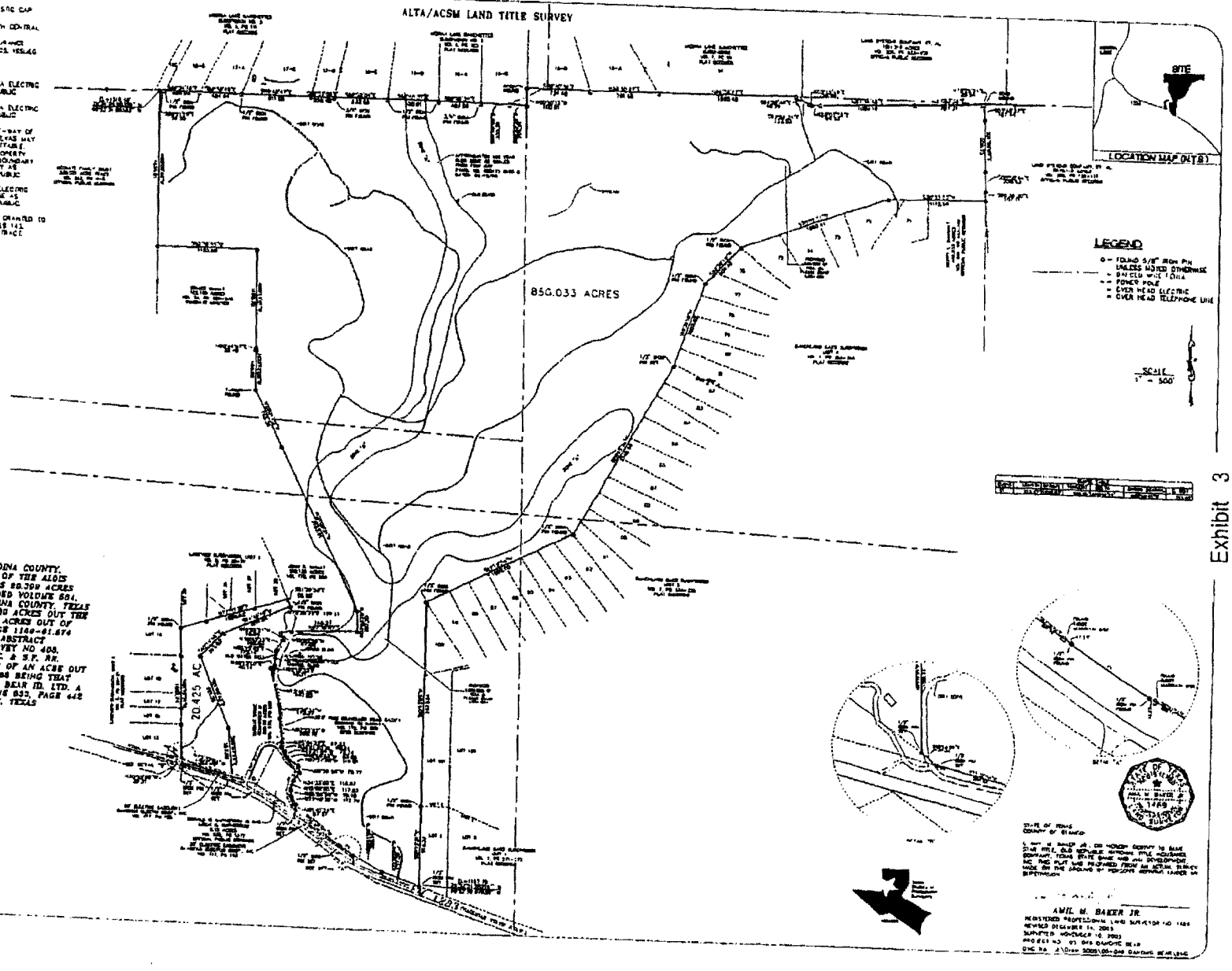
Tract 1	850.033 Acres
Tract 2	20.425 Acres
TOTAL	870.458 Acres

Corrected December 14. 2005
Job No. 05-049
Accompanying Plat Prepared
File:j/Draw/05-049 Dancing Bear

Amil M. Baker Jr

AMIL M. BAKER, JR.
Registered Professional Land
Surveyor # 1469

1) ALL SET IRON PINS ARE 1/2" DIAMETER REBAR WITH A YELLOW PLASTIC CAP STAMPED "BAKER SURVEYING".
2) BASIS OF BEARING IS THE TEXAS COORDINATE SYSTEM, TEXAS SOUTH CENTRAL ZONE 4204, NAD 83
3) TITLE COMMITMENT PROVIDED BY OLD REPUBLIC NATIONAL TITLE INSURANCE COMPANY G.F. NO. 0425188-CHAU EFFECTIVE DATE SEPTEMBER 12, 2003, ISSUED DATE SEPTEMBER 30, 2003
4) CORRESPONDING METES AND BOUNDS DESCRIPTION PREPARED.
5) ALL IMPROVEMENTS ARE SHOWN
6) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 150 OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
7) UTILITY EASEMENT AND COVENANT OF ACCESS GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 441 PAGES 703, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES NOT AFFECT SUBJECT TRACT
8) ELECTRIC TRANSMISSION AND DISTRIBUTION EASEMENT AND RIGHT-OF-WAY OF RECORD IN VOLUME 109, PAGE 217, DEED RECORDS, MEDINA COUNTY, TEXAS MAY AFFECT SUBJECT TRACT, DOCUMENT NOT LEGIBLE, THEREFORE NON PLOTTABLE.
9) NO LIABILITY ASSUMED FOR ANY DIAGONAL OR RIGHT OF ADJOINING PROPERTY OWNER TO THAT STRIP OF LAND LYING BETWEEN THE FENCE AND THE BOUNDARY LINE ON THE WEST AND NORTH BOUNDARY LINES OF SUBJECT PROPERTY AS DISCLOSED BY DEED OF RECORD IN VOLUME 308, PAGE 873, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
10) NO LIABILITY ASSUMED BY REASON OF LOCATION OF WATER WELL, ELECTRIC TRANSMISSION LINE, TRANSMISSION POLE AND OVERHEAD TELEPHONE LINE AS DISCLOSED BY DEED OF RECORD IN VOLUME 308, PAGE 873, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TEXAS.
11) ELECTRIC AND/OR COMMUNICATIONS LINE RIGHT-OF-WAY EASEMENT GRANTED TO BANDERA ELECTRIC COOPERATIVE, INC. OF RECORD IN VOLUME 417 PAGES 141, OFFICIAL PUBLIC RECORDS, MEDINA COUNTY, TX DOES AFFECT SUBJECT TRACT
12) ALL INTERIOR ROADS AND FENCES MAY NOT BE LOCATED.



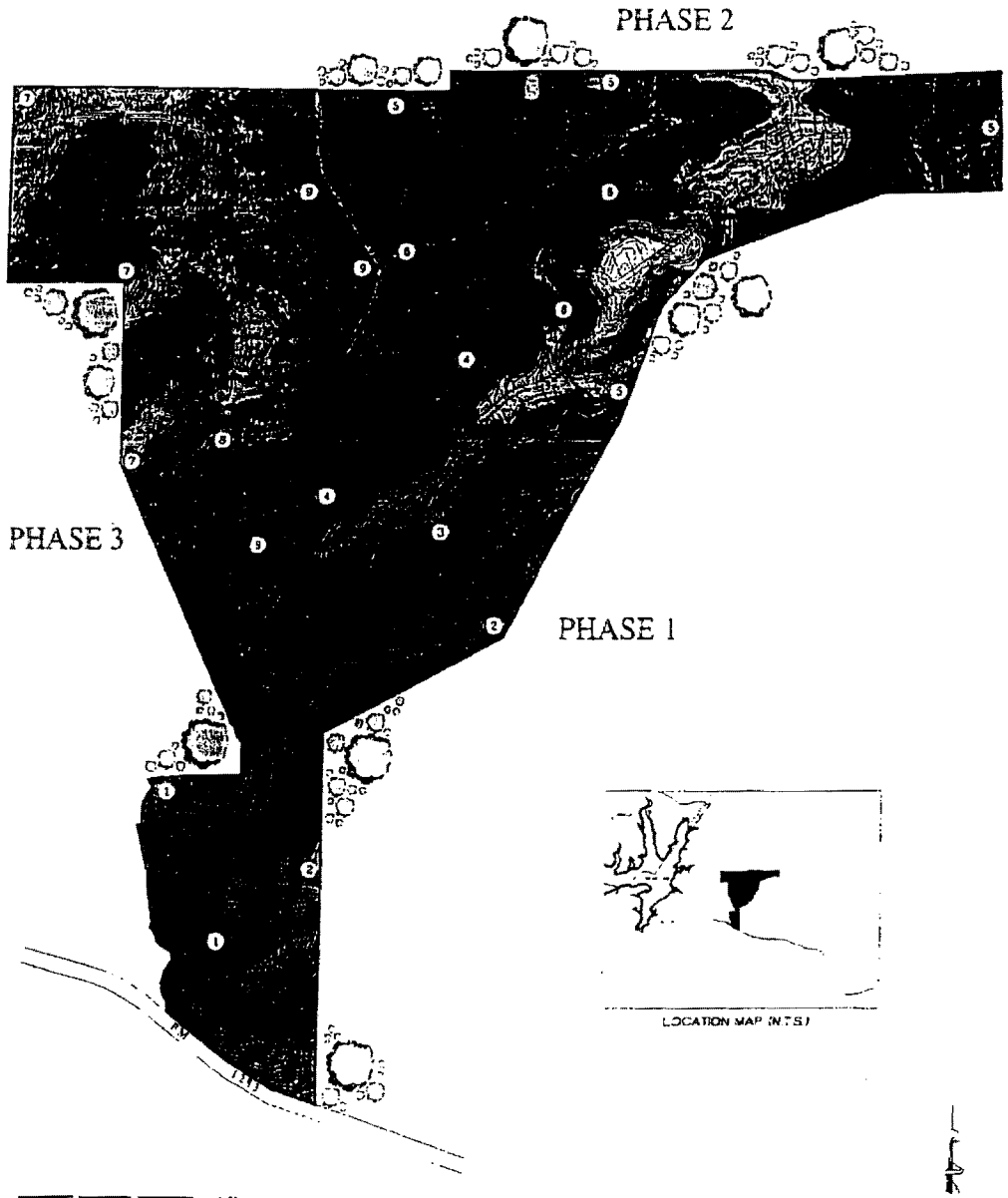
PLAT SHOWING:
SURVEY OF 870.458 ACRES OF LAND SITUATED IN MEDINA COUNTY, TEXAS BEING A 20.425 ACRE TRACT 8 OF LAND OUT OF THE ALOIS MABY SURVEY NO. 308, ABSTRACT 1084, DESCRIBED AS 20.399 ACRES CONVEYED TO BP DANCING BEAR III LTD. AND RECORDED VOLUME 864, PAGE 727 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS AND A 850.033 ACRE TRACT 1 CONSISTING OF 164.080 ACRES OUT THE ALOIS MABY SURVEY NO. 308, ABSTRACT 1084– 9.864 ACRES OUT OF THE H. E. & W.T. RR. COMPANY SURVEY NO. 307, PAGE 1140–61.874 ACRES OUT OF THE FRANK BURRELL SURVEY NO. 65, ABSTRACT 1017–324.367 ACRES OUT OF THE LEUPOLD MABY SURVEY NO. 408, ABSTRACT 1766 AND 303.770 ACRES OUT OF THE G. C. & S.F. RR. COMPANY SURVEY NO. 300, ABSTRACT 1391 AND 0.709 OF AN ACRE OUT OF THE DALLAS GILLIS SURVEY NO. 100, ABSTRACT 1088 BEING THAT SAME 850.081 ACRE TRACT CONVEYED TO BP DANCING BEAR III, LTD. A TEXAS LIMITED PARTNERSHIP AND RECORDED IN VOLUME 833, PAGE 442 OF THE OFFICIAL PUBLIC RECORDS OF MEDINA COUNTY, TEXAS

BAKER SURVEYING & ENGINEERING, INC.

AMIL M. BAKER JR.
REGISTERED PROFESSIONAL LAND SURVEYOR NO. 1489
REVISED DECEMBER 14, 2003
SURVEYED NOVEMBER 10, 2003
PROJECT NO. 03-045 DANCING BEAR
DWG. No. J:\Dwg 2003\03-045 DANCING BEAR.DWG

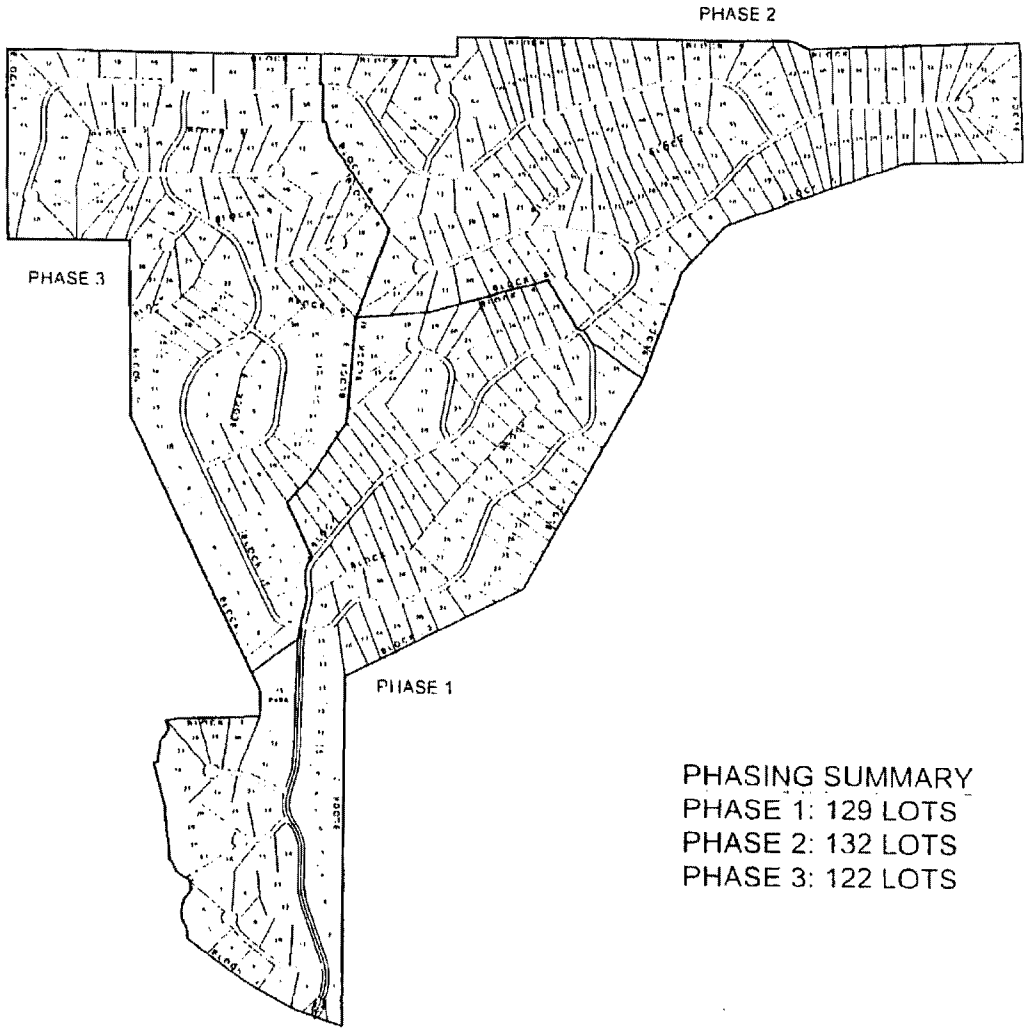
Exhibit 3

CASTLE ROCK ESTATES
AT LAKE MEDINA



Kimley-Horn
and Associates, Inc.

Exhibit 4



PHASING SUMMARY
PHASE 1: 129 LOTS
PHASE 2: 132 LOTS
PHASE 3: 122 LOTS

Exhibit 5

Kimley-Horn and Associates, Inc.

DRAFT

UTILITY SERVICE AGREEMENT

STATE OF TEXAS §
§
COUNTY OF BEXAR §

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "Castle Rock Estates at Lake Medina Tract" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

Preparer's Initials _____

4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

Preparer's Initials _____

7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

Preparer's Initials _____

DRAFT

ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	Developer
_____	_____
By: David E. Chardavovne	By: _____
Title: President Chief Executive Officer	Title: _____
Date: _____	Date: _____

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared _____known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as _____ for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this _____ day of _____, 2007.

(seal) _____

Notary Public

Preparer's Initials _____

DRAFT

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 **Definitions.**

G.C.1.01 **Developer.**

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 **Director of Infrastructure Planning.**

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 **Definition of Terms.**

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 **Required Submittals.**

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 **Dedication to SAWS.**

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 **Design and Construction Requirements.**

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 **Joint Venture Agreements.**

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director

Preparer's Initials _____

G.C.6.00 **Assignment.**

This Agreement may not be assigned in whole or in part, however. Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00

G.C.7.00 **Event of Foreclosure.**

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 ***Payment for Provision of Utility Service.***

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 **Enforcement of Industrial Waste Ordinance if Required by SAWS.**

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 **Oversizing.**

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for over-sizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

Preparer's Initials _____

G.C.11.00 *Off-Site /On-Site* **Facilities.**

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 **Impact Fee Payment.**

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 **SAWS' Obligation to Supply Service.**

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 **Facility Design and Construction.**

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 **Use of Capacity by SAWS.**

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 **Utility Master Plan Requirements.**

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 **Phased Utility Master Plans.**

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

Preparer's Initials _____

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS prior to service of any customers. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Provide a Groundwater Availability Model (GAM) spanning 5 to 10 years indicating the temporary groundwater influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable to SAWS, the Developer will be allowed the ultimate demand of 382 EDUs (1EDU = 313 GPD) as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.

Preparer's Initials _____

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

Preparer's Initials _____

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S.C.8.00 *Time for Water Impact Fee Assessment and Payment.*

Water Impact Fees will be assessed at the rates in effect at the time of plat recordation or the latest date allowed by law. Impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Water Impact Fee Estimates Based Upon Current Charges.

Following is an estimate of impact fees for the provision of Services contemplated under the Agreement, which are based on current impact fee rates. This estimate shall not constitute an assessment of impact fees and impact fee rates are subject to change by the San Antonio City Council.

Type of Impact Fee	EDUs	$/EDUs	Current Total
Flow Development	382	$1,098.00	$419,436.00
System Development (High)	382	$1,356.00	$517,992.00
Water Supply	382	$1,242.00	$474,444.00
Total			$1,411,872.00

* Impact Fees will be assessed with the intention that the proposed development will eventually be connected to our existing infrastructure/facilities.

S.C.10.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

Preparer's Initials _____

DRAFT

SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

Castle Rock Estates at Lake Medina, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Bexar County Public Works Department. Developer agrees to secure appropriate utility permits from the Bexar County Public Works Department.

Preparer's Initials _____

ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

Exhibit D
Utility Service Agreement

UTILITY SERVICE AGREEMENT

STATE OF TEXAS	§
	§
COUNTY OF BEXAR	§

This Utility Service Agreement ("Agreement") is entered into by and between the San Antonio Water System Board of Trustees, through Resolution Number 07-104, acting by and through its President/Chief Executive Officer ("SAWS") and Hills of Lake Medina, LP, ("Developer") together the Parties ("Parties").

Recitals

Whereas, Developer has requested that SAWS provide water and wastewater service (the "Services") to an approximate 850.033-acre tract of land, (the "King's Gate" or "Tract"), which is located over the Edwards Aquifer Recharge Zone, such Tract being more particularly described in Attachment III hereto, as accepted by SAWS; and

Whereas, SAWS desires to provide the Services to the Developer pursuant to this Agreement, the SAWS Utility Service Regulations, and all applicable local, state, and federal regulations, as amended.

Now Therefore, The Parties Hereto Agree To The Following Terms and Conditions:

1.00 Interpretation of Agreement.

1.01 The Parties acknowledge that the Services contemplated by this Agreement shall be provided in accordance with the SAWS Utility Service Regulations, Design Criteria, Schedules, Attachments and Instruments thereto, as amended (together "USR"). In the event the specific terms of this Agreement are in conflict with the USR, the specific terms of this Agreement shall apply. The above notwithstanding, for the specific conflicting terms to prevail, the conflict must be expressly noted in the Agreement. The Parties further acknowledge that this Agreement is subject to future acts of the City Council of the City of San Antonio with respect to the adoption or amendment of impact fee ordinances/resolutions.

1.02 The Parties agree that the purpose of this Agreement is the reservation of the designated water supply and/or wastewater discharge capacity for the Tract. Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code, that are related to this Agreement are dependent upon the provision of all information required by the Fair Notice Declaration that is attached hereto and is incorporated by reference as Attachment "IX."

2.00 Obligation Conditioned.

The obligation of SAWS to provide the Services is conditioned upon present rules, regulations and statutes of the United States of America and the State of Texas and any court order that directly affects the SAWS' Regional Water Production and Distribution System and/or Regional Wastewater Transportation and Treatment System and/or the utility infrastructure directly

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servicing the Tract. Developer acknowledges that if the rules, regulations and statutes of the United States of America and/or the State of Texas that are in effect upon the execution date of this Agreement are repealed, revised or amended to such an extent that SAWS becomes incapable of, or prevented from, providing the Services, then no liability of any nature is to be imposed upon SAWS as a result of SAWS' compliance with such legal or regulatory mandates. SAWS agrees that it will use its best efforts to prevent the enactment of such legal or regulatory mandates.

3.00 Term.

3.01 The term of this Agreement shall be seven (7) years from the Effective Date if the Developer complies with the requirements set out in G.C. 19.00 (attached) within the time period therein stated. This Agreement shall automatically expire if Developer fails to comply with the requirements of G.C. 19.00 within the time period therein provided. The term of this Agreement may be extended to fifteen (15) years from the Effective Date, if Developer complies with the requirements to extend the term set forth in G.C. 19.00 within the time period therein stated. Certain obligations of SAWS (described in Section 3.03 below) may survive the expiration of the term of this Agreement, to the extent that Developer has (i) paid all applicable impact fees for the Services at the then-current rate, and (ii) complied with all On-Site and Off-Site utility infrastructure requirements of this Agreement (described in the Special Conditions), including over-sizing requirements.

3.02 To the extent that SAWS' obligations do not survive the expiration of this Agreement, Developer understands and agrees that a new Utility Service Agreement must be entered into with SAWS to receive the Services for the development project that is the subject of this Agreement.

3.03 To the extent that Developer timely pays all applicable impact fees and complies with all On-Site and Off-Site utility infrastructure requirements prior to the expiration of this Agreement, the following obligations will survive expiration of this Agreement:

(i) SAWS' recognition of the EDUs referenced as the subject of this agreement as Guaranteed Capacity.

(ii) SAWS' continued recognition of impact fee credits previously earned by the Developer pursuant to Sections 15.8 and 15.9 of the USR.

(iii) SAWS' continued provision of the Services to retail customers located in the Tract, so long as such customers pay for the services and comply with the regulations applicable to individual customers.

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4.00 Entire Agreement.

The following documents attached hereto and incorporated herein are as fully a part of this Agreement as if herein repeated in full, together with this Agreement, comprise the Agreement in its entirety:

Attachment I:	General Conditions
Attachment II:	Special Conditions
Attachment III:	Description of Tract
Attachment IV:	Board Summary & Recommendation and Resolution (if necessary)
Attachment V:	Developer Water and/or Wastewater Master Plan (if necessary)
Attachment VI:	Engineering Study
Attachment VII:	Lift Station & Force Main Supplemental Agreement (if necessary)
Attachment VIII:	Water Recycling and Conservation Plan (if necessary)
Attachment IX:	Fair Notice Declaration (if Developer claims rights under Chapter 245 of the Texas Local Government Code)

Any of the above attachments that are created and submitted by the Developer as an attachment to this USA shall be limited to providing relevant engineering, planning or managing information for the purposes of setting aside or reserving water and/or wastewater service capacity as specified in the body of this USA, the General Conditions and the Special Conditions. Developer agrees that it will not attempt to rely on, and SAWS does not authorize, any of the contents of any attachments created and submitted by the Developer as a basis for claiming rights under Chapter 245 of the Texas Local Government Code, except as specifically required by Section 1.02 and Attachment IX of this USA.

5.00 Developer's Obligations.

The Developer acknowledges and agrees that the capacity provided by this Agreement runs with the land and shall be an appurtenance to the Tract. The Developer acknowledges that recordation of this Agreement in the Real Property Records of the County in which the Tract is located within three (3) years of the Effective Date of this Agreement is required; otherwise, this Agreement will automatically terminate. Developer shall record the Agreement and the delivery of a recorded copy to the Director within three (3) years of the Effective date of this Agreement or before any transfer of EDUs as specified in G.C. 20.00, whichever is sooner, is required. The Developer shall maintain records of EDU's remaining on the Tract pursuant to the approved Developer Master Plan. Developer shall provide SAWS with such records upon SAWS written request.

6.00 Indemnity.

TO THE EXTENT ALLOWED BY LAW AND TEXAS CONSTITUTION, THE DEVELOPER FURTHER AGREES TO DEFEND, INDEMNIFY AND HOLD HARMLESS SAWS AND ITS SUCCESSOR AND ASSIGNS FROM THE CLAIMS OF THIRD PARTIES ARISING OUT OF SAWS' RECOGNITION OF THE TRANSFER OF CAPACITY UNDER THIS AGREEMENT TO DEVELOPER'S SUBSEQUENT PURCHASERS, SUCCESSORS AND ASSIGNS.

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7.00 Notices.

Any notice, request, demand, report, certificate or other instrument which may be required or permitted to be furnished to or served upon the parties shall be deemed sufficiently given or furnished or served if in writing and deposited in the United States mail, registered or certified, return receipt requested, addressed to such party at the address set forth below:

IF TO SAN ANTONIO WATER SYSTEM:

SAN ANTONIO WATER SYSTEM
POST OFFICE BOX 2449
SAN ANTONIO, TEXAS 78298-2449
ATTN: SAM MILLS, P.E., DIRECTOR, INFRASTRUCTURE PLANNING

IF TO DEVELOPER:

Hills of Lake Medina, LP
1800 Valley View Lane, Suite 150
Dallas, Texas 75234

8.00 Severability.

If for any reason any one or more paragraph of this Agreement are held legally invalid, such judgment shall not prejudice, affect impair or invalidate the remaining paragraphs of the Agreement as a whole, but shall be confined to the specific sections, clauses, or paragraphs of this contract held legally invalid.

9.00 Effective Date.

The Effective Date of this Agreement shall be the date signed by the authorized representative of the San Antonio Water System.

10.00 Ownership.

By signing this Agreement the Developer represents and warrants that it is the owner of the Tract or has the authority of the Tract owner to develop the area. Any misrepresentation of authority or ownership by Developer shall make this Agreement voidable by SAWS. If the Developer does not own the Tract, then the Developer must provide documentation from the owner of the Tract to show that Developer has the proper authority to develop the Tract.

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ACCEPTED AND AGREED TO IN ALL THINGS:

San Antonio Water System	**Developer**
David E. Chardavoyne	
By: David E. Chardavoyne	**By:** Timothy L. Baxter
Title: President/Chief Executive Officer	**Title:** Managing Member
Date: 13 December 2007	**Date:** 12.7.07

ACKNOWLEDGEMENTS

STATE OF TEXAS, COUNTY OF BEXAR §

BEFORE ME, the undersigned Notary Public, on this day personally appeared David E. Chardavoyne known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as President / CEO for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 13th **day of** December, **2007.**

(seal) EVELYN L. PITMAN Notary Public STATE OF TEXAS My Comm. Exp. 03-01-09

Evelyn L. Pitman
Notary Public

STATE OF TEXAS, COUNTY OF ~~BEXAR~~ DALLAS §

BEFORE ME, the undersigned Notary Public, on this day personally appeared Timothy L. Baxter known to me to be the person whose name is subscribed to the foregoing instrument and that he has executed the same as Timothy L. Baxter for the purposes and consideration therein expressed and in the capacity therein stated.

GIVEN UNDER MY HAND AND SEAL OF OFFICE this 7th **day of** December, **2007.**

(seal) LINDA A. LONG MY COMMISSION EXPIRES February 25, 2010

Linda A. Long
Notary Public

Preparer's Initials JP

GENERAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

G.C.1.00 Definitions.

G.C.1.01 Developer.

Owner of the tract, his subsequent purchasers, successors, and/or assigns.

G.C.1.02 Director of Infrastructure Planning.

The Director of Infrastructure Planning of the San Antonio Water System or his/her designated representative.

G.C. 1.03 Definition of Terms.

Unless defined in the Utility Service Agreement (the "Agreement"), the terms used in this General Conditions of the Utility Service Agreement (the "General Conditions") shall have the same definitions and meaning as those set out in Chapter 2, Definitions, of the Utility Service Regulations ("USR"). In the event a term is specifically defined in the General Conditions, and the definition is in conflict with that found in the USR, and such conflict is acknowledged in the General Conditions, the definition set out in the General Conditions shall apply.

G.C.2.00 Required Submittals.

If determined to be necessary by the Director of Infrastructure Planning ("Director"), the Developer hereby agrees to submit the following documents prior to the execution of the Agreement: Developer Master Plan, Developer Utility Layout, Water Recycling and Conservation Plan, and Engineering Report. The Parties agree that such documents are included instruments to the Agreement. The submittal of such documents is a condition precedent to plat recordation and initiation of Services. Developer shall modify such documents as may be reasonably required by the Director. Such documents shall be updated as required by the Director and the USR.

G.C.3.00 Dedication to SAWS.

The Developer agrees to dedicate, grant, and convey to SAWS all rights, title and interest of Developer in both the Off-Site and On-Site utility infrastructure that the Developer is required to construct under the Special Conditions of the Utility Service Agreement (the "Special Conditions"), and to dedicate, grant, and convey to SAWS easements for such utility infrastructure. Upon written acceptance of Off-Site and On-Site utility infrastructure by SAWS, the infrastructure shall be owned, operated and maintained by SAWS.

G.C.4.00 Design and Construction Requirements.

The design and construction of all Off-Site and On-Site utility infrastructure shall, at a minimum, comply with the requirements established by SAWS, including the USR, the City of San Antonio, the County of Bexar, the State of Texas, and any agency thereof with jurisdiction, including but not limited to the Texas Commission on Environmental Quality and the Texas Department of Health. Off-Site and On-Site utility infrastructure shall be constructed under the inspection of SAWS. Provision of the Services to the Tract shall not commence until the Director has accepted and approved Off-Site and On-Site utility infrastructure in writing.

G.C.5.00 Joint Venture Agreements.

In the event the Developer enters into a Joint Venture Agreement covering the costs for supplying the Services to the Tract, the Developer shall send a copy of such agreement to the attention of the Director.

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G.C.6.00 Assignment.

This Agreement may not be assigned in whole or in part; however, Developer may assign, convey or transfer EDU capacity ("EDU capacity transfer") to buyers of portions of the Tract in accordance with the terms in G.C. 20.00.

G.C.7.00 Event of Foreclosure.

In the event Developer's interest in the Tract described in Attachment III are extinguished by an act of foreclosure, and the foreclosing party has supplied sufficient evidence to SAWS that they are the successor in interest to the Tract as a result of such foreclosure, and that there are no lawsuits pending concerning the Tract, SAWS shall consider the foreclosing party a successor in interest if the foreclosing party executes a utility service agreement with SAWS after the Director determines that the execution of such an agreement will not be adverse to SAWS' interest.

G.C.8.00 Payment for Provision of Utility Service.

In the event payment for the Services provided to a subdivision plat within the Tract is not billed by SAWS, the amount of the monthly fees for the provision of the Services will be those charged to the various customer classifications as set by City Ordinances, with the billing and collection thereof on behalf of SAWS, being the responsibility of the billing utility purveyor. To facilitate this arrangement, Developer is to insert into any utility agreement with whatever utility purveyor is to bill for utility services to a subdivision plat within the Tract, a provision requiring said purveyor to enter into a Contract with SAWS to bill and collect SAWS' monthly utility services fees and transmit said fees to SAWS. The billing utility purveyor shall advise customers that delinquent non-payment of any of SAWS' fees will result in interruption and/or termination of the Services provided by SAWS, in accordance with applicable interruption and termination policies and procedures, as amended. SAWS shall not be obligated to provide the Services to any plat within the Tract unless and until the utility purveyor has executed a contract with SAWS to provide for the billing and collection of the Services provided by SAWS.

G.C.9.00 Enforcement of Industrial Waste Ordinance if Required by SAWS.

The Developer shall cause to be recorded in the Deed and Plat Records of the counties in which the Tract is located, a restrictive covenant covering the entire Tract. This restrictive covenant shall run with the land in the Tract described in Attachment III. Such covenant shall contain language expressly granting to SAWS the right, should SAWS so elect, to enforce and or otherwise pursue to the extent provided at law or in equity, the provisions of the City's Industrial Waste Ordinance No. 57214, as amended or as may be amended (codified as Chapter 34, Article V, Division 3 of the City Code). SAWS' right shall include, to the extent provided at law or in equity, the right to inspection, sampling and monitoring of the collection system to assure ordinance compliance.

Recordation of the Covenant shall be a condition precedent for SAWS' provision of the Services to any portion of said Tract.

G.C.10.00 Oversizing.

Developer must pay for all mains and other utility facilities needed to serve the Tract. SAWS may require the installation of oversized water mains and wastewater mains and related facilities. SAWS' requirements for over-sizing, if any, are set forth in the Special Conditions. SAWS will execute a trilateral contract with Developer and a contractor for the construction of oversized facilities. Contracts for the construction of oversized facilities must be competitively bid as required by law. SAWS will reimburse the Developer for the oversize construction cost differential upon completion of the approved facility installation and SAWS' acceptance of such facility. SAWS will determine whether to provide such reimbursement in the form of a cash reimbursement or in credits to be applied to impact fees. All oversizing shall be done in accordance with the USR.

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G.C.11.00 Off-Site /On-Site Facilities.

Developer shall construct and install all required Off-Site and On-Site utility infrastructure in accordance with the USR and Special Conditions, at no cost to SAWS. Any specific requirements related to the facilities are set forth in the Special Conditions.

G.C.12.00 Impact Fee Payment.

Developer agrees that the Agreement does not constitute an assessment of impact fees. Developer agrees to pay all applicable impact fees at the time and in the amount prescribed by ordinance or resolution of the City Council of the City of San Antonio and the USR, as amended. An estimate of the impact fees for the development Tract is provided in the Special Conditions. The estimate does not constitute an assessment of impact fees, and the amount of impact fees is subject to change by the City Council of the City of San Antonio as provided by law.

G.C.13.00 SAWS' Obligation to Supply Service.

To the extent that Developer pays all applicable impact fees and complies with all Off-Site and On-Site utility infrastructure requirements, Developer shall be entitled to the permanent use and benefit of the Services and is entitled to receive immediate service from any existing facilities with actual capacity to serve the development for which impact fees were paid, subject to compliance with other valid regulations. If, after collecting the impact fees, there is no actual capacity in existing facilities to provide the Services, SAWS will provide the Services within a reasonable period of time not to exceed five (5) years, as prescribed by Chapter 395 of the Local Government Code, as amended. In the event Services are required by Developer earlier than the five (5) year period, Developer and SAWS may agree that Developer may construct or finance the capital improvements or facility expansions required to provide Services, and the costs incurred or funds advanced will be credited against impact fees otherwise due from the new development or reimbursed to Developer from impact fees paid from other new developments that will use such capital improvements or facility expansions, which fees shall be collected and reimbursed to Developer at the time the other new development records it plat.

G.C.14.00 Facility Design and Construction.

The Developer shall design and construct all On-Site and Off-Site utility infrastructure described in the Special Conditions, including any oversizing, in accordance with the USR and all applicable local, state and federal requirements. Developer further recognizes that SAWS' approval in all respects as to facility right-of-way adequacy, location, size, grade and invert elevation is a condition precedent to any further obligation of SAWS. Specific design and construction requirements are set forth in the Special Conditions.

G.C.15.00 Use of Capacity by SAWS.

Developer understands that capacity in Off-Site and On-Site utility infrastructure resulting from the Agreement for the Tract may be utilized by SAWS for other tracts requesting service from SAWS. SAWS shall keep accurate records of the capacity provided to the Tract under the Agreement, whether Set-Aside or Guaranteed Capacity, and in no event will Developer be denied capacity as a result of SAWS' utilization of such capacity for another tract. Set-Aside capacity shall not survive the expiration of the Agreement.

G.C.16.00 Utility Master Plan Requirements.

The Developer will prepare a utility master plan, which details the water and/or wastewater systems for the Tract pursuant to the USR, as amended.

G.C.17.00 Phased Utility Master Plans.

If the Developer's water and/or wastewater systems are to be installed in phases or units, the Developer shall submit overall utility master plans to SAWS for review and approval. The overall utility master plan(s) shall be submitted before the first construction phase is submitted for plat approval. The overall utility master plan(s) shall show the development phases or units including the sequence and a timetable for build-out. The Developer shall also provide

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SAWS with a digital version of the proposed recorded plat, as submitted for plat recordation in a format acceptable to SAWS, for each phase or unit of the devolvement project.

G.C.18.00 Conformance of Plans to Utility Master Plan.

All water and wastewater system facilities to serve the Tract shall be designed and constructed in conformance with the approved utility master plan. Changes in the water and wastewater system design shall be resubmitted to SAWS for written approval.

G.C.19.00 Timing Requirements for Submission of Plans.

Developer shall have three (3) years from the Effective Date of the Agreement to complete and submit the required utility master plan and to start construction of the Off-Site and On-Site utility infrastructure described in the Special Conditions. Developer agrees that the Agreement for the provision of Services shall automatically expire if Developer has not submitted a utility master plan and started construction of required Off-Site and On-Site utility infrastructure within three (3) years of the Effective Date of the Agreement, and a new request for the Services must be submitted to SAWS, which SAWS will grant based on then existing policies and regulations. In the event Developer meets the above-mentioned requirements within the three (3) year period provided, the Agreement shall remain in effect for seven (7) years from the Effective Date. If Developer submits a revised Utility Master Plan in accordance with the USR prior to the expiration of the seven (7) year period, the Agreement for the provision of Services may be extended to a maximum term of fifteen (15) years from the Effective Date.

G.C. 20.00 EDU Transfers.

The transfer of EDU capacity outside the original boundaries of this Utility Service Agreement will not be allowed. The San Antonio Water System considers this Agreement to run with the land; however, EDU capacity transfers to subdivided tracts within the Tract of this Agreement are the responsibility of the Developer and approval of such transfers is not required by the San Antonio Water System. The Developer shall maintain an accounting of the EDU capacity that is used by the Developer and/or transferred after the effective date of this Agreement to portions of the Tract. If the Developer sells a portion of the Tract and transfers part of the EDU capacity contained in this Agreement, then that EDU capacity transfer must be included in the deed, bill of sale or instrument conveying the land and the Developer must require the buyer of the land who receives the allocated EDUs to record the instrument effectuating the transfer. Developer may file a Master Development Plan or an EDU Plan, prepared by an engineer, that shows specific EDU capacity allocations within the Tract and shall ensure that the Master Development Plan or EDU Plan is attached to this Agreement and properly recorded. SAWS will recognize the capacity allocations within the Master Development Plan or EDU Plan so long as those allocations are within the parameters of this Agreement. For properties that have areas of unplanned use, the demand will be calculated at four (4) EDUs per acre unless the engineering report specifies otherwise or there is not enough EDU capacity remaining for the Tract to allocate four (4) EDUs per acre.

In no event will the System be responsible to 3rd parties for providing water supply or wastewater discharge capacity beyond the total EDU capacity identified in this Agreement for the Tract. Developer expressly disclaims, releases and holds harmless SAWS from any liability, damages, costs or fees, and agrees to indemnify SAWS for any liability, including, costs and attorney's fees, associated with any dispute related to the transfer of all or a portion of EDU capacity approved for the Tract in this Utility Services Agreement.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, an 850.033-acre tract outside the City limits, is located along the northside of FM 1282, as shown in Attachment III (the "Tract"). The tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand on the SAWS' facilities shall not exceed 382 equivalent dwelling units (EDUs) of water supply, for the proposed development.

S.C.2.00 Infrastructure Requirements.

Water Supply to the tract will be from Pressure Zone (P.Z.) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing P.Z. 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Based upon the May 2007 hydrological report submitted by LBG-Guyton Associates, the Developer will be required to drill a satellite water well system with a firm yield capacity of 230 gpm, 0.6 gpm per EDU into the Trinity Aquifer. The proposed satellite system will have a sustainable firm well capacity of 230 gpm. If the hydrogeological report indicates that the firm yield capacity of 230 gpm cannot be sustained, the Developer will need to request a new USA to determine how to connect to the existing SAWS infrastructure.

- Developer will be required to pay for any surface water treatment if it becomes necessary.

- Construct a 300,000 gallon ground storage tank, 2-hour fire flow storage and 2 feet of water minimum to remain in the tank for positive suction pressure on the high service pumps, at a hydraulically practical location.

- Construct an 8,000 gallon hydro-pneumatic tank, 20 gallons per EDU and firm service pump capacity of 2,100 gpm, 1.5 per EDU plus fire flow, located at the tank site.

- Provide 12-inch stub out mains for future interconnect at the southern, eastern and western boundaries for P.Z. 12.

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- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- The assignee and its customers will be required to comply with current Conservation Ordinances, Chapter 34, as amended.
- The assignee and its customers will be required to comply with current rules and regulations for public water systems as established by TCEQ in Title 30 Texas Administrative Code, Chapter 290, as amended.
- The assignee will be required to meet water quality and compatibility standards, listed below, set by SAWS.

Contaminant	Units	Raw Water Design	MCL	Finished Water Goal
Primary Drinking Water Contaminant Levels				
Radium-226&228, Total	pCi/l	4.5	5.00	<3.0
Arsenic	mg/l	<0.01	0.05 [1]	<0.01
Secondary Drinking Water Contaminant Levels				
Color, True	color units	20.00	15	<3.00
Hydrogen Sulfide	mg/l	2.00	0.05	<0.03
Iron	mg/l	15.00	0.3	<0.2
Manganese	mg/l	0.30	0.05	<0.03
pH		5.50	>7.0	>7.8
Odor	T.O.N.	200.00	3	<2.5
Other Parameters				
Alkalinity, Total	mg/l as $CaCo_3$	30.00	NA	>100
Calcium	mg/l	23.00	NA	>40
Dissolved Oxygen	mg/l	0.10	NA	>2.0
Hardness, Total	mg/l as $CaCo_3$	35.00	NA	>100
Radon	pCi/l	160.00	300 [2]	<100
Specific Conductance	umhos/cm	NA	NA	350-700
TDS	ppm	NA	NA	<500
Turbidity	NTU	0.20	<0.5	<0.1
Corrosion Indices				
Langlier Saturation Index		-2.00	NA	>0.20
Ryznar Indez		10.10	NA	<7.1
Disinfection By-Products				
Bromate	mg/l	NA	0.01	<0.005
Total Trihalomethanes (TTHM)	mg/l	0.007	0.08	<0.040
Haloacetic Acids (HAA5)	mg/l	0.004	0.06	<0.030

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NOTE: Developer assumes full responsibility in case of any shortage or other problems with water supply for domestic and/or fire flow needs. If such a shortage or quality problems with water supply were to occur then SAWS would cease issuance of any and all permits or approvals for any additional water services until such time as the problems can be resolved. In the event that water is required to be pump and hauled, in order to serve this development the Developer will fund 100% of any costs for the pump and haul.

S.C. 3.00 SAWS Master Plan and Oversizing Requirements.

Not Applicable

S.C.4.00 Eligibility for Impact Fee Credits.

Not Applicable

S.C.5.00 Engineering Study Report and/or Pro-Rata Fee Eligibility.

The engineering study report "Castle Rock Estates at Lake Medina, Utility Service Agreement Engineering Report", by Kimely Horn and Associates, Inc., received July 2006 and revised January 2007 is included as Attachment VI.

S.C.6.00 Developer On-Site Requirements.

The Developer shall acquire any right-of-way or easements, and install all On-Site utility infrastructure required to serve the Tract in accordance with SAWS' USR, solely at the Developer's cost. Other On-Site requirements within the Tract will be determined at such time as the engineer submits an overall Utility Master Plan, and any subsequent revisions, for the Tract.

S.C.7.00 Requirement to Install Approved Pressure Regulators and/or Booster Pumps.

A portion of the tract is below ground elevation of 1,425 feet where the static pressure will normally exceed 80 psi. At all such locations, the Developer or builder shall install at each lot, on the customer's side of the meter an approved type pressure regulator in conformance with the Plumbing Code of the City of San Antonio.

S.C.8.00 Time for Water Impact Fee Assessment and Payment.

Should the hydrological report that the Developer is required to submit to SAWS pursuant to S.C. 2.00 demonstrate that a firm yield capacity of 230 gpm cannot be sustained, and should Developer request a new utility service agreement to determine how to connect to existing

SAWS infrastructure, then the new utility service agreement will provide that Water Impact Fees will be assess at the rates in effect at the time of plat recordation or the latest date allowed by law, and that impact fees will be collected at either the time of plat recordation or connection to the SAWS' water system, as determined by SAWS.

S.C.9.00 Pro-Rata Charge Requirement.

Developer shall be required to pay a Pro-Rata Charge pursuant to the USR, as amended, prior to connection to the SAWS water system if Developer is tying into a main that is subject to a pro-rata refund.

S.C.10.00 Water Control and Improvement District

- Developer and SAWS recognize that the Developer has requested that the City of San Antonio consent to the creation of a Water Control and Improvement District ("WCID") that will be created to finance the purchase, acquisition, and/or construction of infrastructure requirements that are described in the preceding section S.C. 2.00. The property contained in the WCID is to be the property that is described as "The Tract" in Attachment III. It is the intention of the parties to this Agreement that all rights, obligations and benefits pursuant to this Agreement may be assigned to and accepted by the WCID upon its creation.

- Upon completion of construction, Developer will convey the infrastructure to the WCID. The WCID shall then convey the infrastructure to SAWS lien free. After written acceptance, SAWS will thereafter own, operate and maintain the infrastructure at its expense, as provided in the preceding section G.C. 3.00.

- Each customer of SAWS within the WCID shall pay SAWS for water service at the applicable retail water and sewer rate charged by SAWS to its customers within the area and within the same rate class. SAWS shall not charge the WCID or the users within the WCID any additional fee, assessment or other charge for water service received from SAWS that SAWS does not charge its residential or commercial customers in the same rate class.

- Notwithstanding any provision to the contrary that is contained in this Agreement, Developer may assign this Agreement to any WCID that includes all or part of the Tract and that is created with the consent of the City of San Antonio, given by a resolution or an ordinance that is passed and approved by the City Council of the City of San Antonio.

- Should the City Council of the City of San Antonio, Texas, not consent, or should it refuse to consent to the creation of a Water Control and Improvement District that includes the Tract that is described in Attachment III, then in that event this Agreement shall immediately terminate and be of no further force or effect.

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SPECIAL CONDITIONS OF THE UTILITY SERVICE AGREEMENT

WASTEWATER SERVICE

S.C.1.00 Tract Location and Ultimate Demand.

King's Gate, a 850.033-acre tract outside the City limits is located the northside of FM 1282, as shown in Attachment III (the "Tract"). The Tract is located over the Edwards Aquifer Recharge Zone.

The ultimate demand shall not exceed 382 equivalent dwelling units (EDUs) of wastewater discharge, for the proposed development.

S.C.2.00 Infrastructure Requirements.

All septic wastewater utilities shall be designed and constructed in accordance to the requirements of the Medina County Public Works Department. Developer agrees to secure appropriate utility permits from the Medina County Public Works Department.

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ATTACHMENT IX

FAIR NOTICE DECLARATION

Any rights that the Developer claims arise under Chapter 245, Texas Local Government Code that are related to this Agreement are dependent upon the provision of all information required by this Fair Notice Declaration. Developer must also complete and submit a Fair Notice Form to the City of San Antonio Development Service Department. In the absence of any of the information required in this Declaration or the Fair Notice Form, fair notice of a project is not given.

1. A legal description of the Tract must be attached to the Agreement as Attachment IX (A).

2. A detailed plan must be attached to the Agreement as Attachment IX (B) that provides the following information:

    a. lot configuration, size, and location for each lot within the Tract
    b. a specific description of the proposed land use for each lot
    c. street layout
    d. easement locations
    e. total number of EDU's by land use (single-family, multi-family, school, hotel, office, restaurant, or other specific description)

3. A narrative description of the sequence and timetable for the build-out of the proposed development must be attached to the Agreement as Attachment IX (C).

RESOLUTION NO. 07-194

OF THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES APPROVING UTILITY SERVICE AGREEMENTS TO PROVIDE WATER AND/OR WASTEWATER SERVICE TO THE TRACTS LISTED HEREIN, SUBJECT TO THE EXPIRATION OF SUCH AGREEMENTS IF NOT EXERCISED IN THIRTY-SIX MONTHS; FINDING THE RESOLUTION TO HAVE BEEN CONSIDERED PURSUANT TO THE LAWS GOVERNING OPEN MEETINGS; PROVIDING A SEVERABILITY CLAUSE; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the Developer Customer(s) specified in the following table have requested the San Antonio Water System (the "System") to provide water and/or wastewater service(s), and have satisfied the requirements of the Board's Regulations for Developer Customer(s) Applicants; and

No.	Tract Name	Developer Name	Acreage	Water EDUs	WW EDUs	Board Reason
1	*201-Acre Tract	Levcor, Inc.	201	BM	1,122	AC
2	*Babcock 165	Babcock Road 165, Ltd.	165	220	220	AC/OVR
3	*Babcock Heights	Southerland Communities	283.9	245	0	AC/OVR
4	*Bloomfield	Monte Cristo Developers, LLC	198.72	250	0	AC/OVR/EARZ
5	Castle Rock Estates at Lake Medina	Hills of Lake Medina, LP	850.03	382	0	EARZ
6	Encino Commons	Encino Land Affiliates, L.P.	7.254	60	78	AC/OVR
7	Hills at Boerne Stage II	Laredo Boerne Stage, Ltd.	249	123	0	AC
8	*Horizon Pointe	Continental Homes of Texas, L.P.	461.32	1,845	282	AC/OVR
9	Lazy M	BP Real Estate Investments Ltd.	335.51	450	0	EARZ
10	Los Reyes Remainder Tract	Los Reyes, Inc.	30.66	83	83	AC/OVR
11	*Stonewall Estates	HM Stonewall Estates, Ltd.	346.217	450	444	AC
12	Texas Best Travel Center	BK Metro Land Co, Ltd.	104.6	473	523	AC
13	*Voelcker Ranch 119-Acre Tract	KB Home LoneStar, L.P.	119	633	549	AC
14	Walker Tract	Unified Investment	56	315	315	

		Group				
Totals			**3,408**	**5,529**	**3,616**	
Year-to-Date Totals (January-April 2007)			**6,405**	**10,781**	**11,848**	

*The noted Utility Service Agreements (USAs) have been previously approved by the Board and require a new approval due to an increase of water/wastewater EDUs, acres or oversizing. The year to date totals include totals which have already been previously approved.

WHEREAS, the Developer Customer(s) provisions to acquire water and/or wastewater services within the System's jurisdiction is generally illustrated in the attached Project Site Maps; and

WHEREAS, the Developer Customer is obligated to pay the prescribed fees and to comply with other applicable requirements as set forth in the Regulations for Water and/or Wastewater Service; and

WHEREAS, the USA titled "201-Acre Tract", a 201-acre tract, includes a portion of a tract previously approved by the San Antonio Water System Board of Trustees, approved on March 21, 2006 through Resolution 06-075. This USA will replace the previously approved USA. The Developer has revised their request for water and wastewater EDUs; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock 165 Tract", a 165-acre tract, was previously approved by the San Antonio Water System Board of Trustees on February 7, 2006 through Resolution 06-036. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Babcock Heights Tract", a 284-acre tract, was previously approved by the San Antonio Water System Board of Trustees on December 5, 2006 through Resolution 06-360. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Bloomfield Tract", a 199-acre tract, was previously approved by the San Antonio Water System Board of Trustees on March 6, 2006. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required, and

WHEREAS, the USA titled "Horizon Pointe Tract", a 461-acre tract, was previously approved by the San Antonio Water System Board of Trustees on April 18, 2006 through Resolution 06-118. The Developer has revised their request for wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Stonewall Estates Tract", a 346-acre tract, was previously approved by the San Antonio Water System Board of Trustees on October 6, 2006 through Resolution 06-292. The System's Water Master Planning Department has revised the proposed water main oversizing requirements for the area; therefore, authorization by the Board is required; and

WHEREAS, the USA titled "Voelcker Ranch 119-Acre Tract", a 119-acre tract, was previously approved by the San Antonio Water System Board of Trustees on November 7, 2006 through Resolution 06-325. The Developer has revised their request for water and wastewater service; therefore, authorization by the Board is required; and

WHEREAS, the San Antonio Water System Board of Trustees desires (i) to agree to provide water and/or wastewater service to the proposed tract(s), as described above, and (ii) to provide that these agreement(s) will be honored for a period of thirty-six months, and that if not exercised during this period, the utility service agreements will expire; now, therefore:

BE IT RESOLVED BY THE SAN ANTONIO WATER SYSTEM BOARD OF TRUSTEES:

1. That the San Antonio Water System hereby agrees to provide water and/or wastewater service to the proposed tract(s), as generally illustrated in the attached Project Site Maps hereto, on a Developer Customer basis as provided for in the Board's Regulations, applicable amendments to the Regulations, and any other applicable federal, state or local regulations.

2. That each agreement shall be honored for a period of thirty-six months, and if not exercised during this thirty-six-month period, the utility service agreement will expire.

3. It is officially found, determined and declared that the meeting at which this resolution is adopted was open to the public, and that public notice of the time, place and subject matter of the public business to be conducted at such meeting, including this resolution, was given to all as required by the Texas Codes Annotated, as amended, Title 5, Chapter 551, Government Code.

4. If any part, section, paragraph, sentence, phrase or word of this resolution is for any reason held to be unconstitutional, illegal, inoperative or invalid, or if any exception to or limitation upon any general provision herein contained is held to be unconstitutional, illegal, invalid or ineffective, the remainder of this resolution shall nevertheless stand effective and valid as if it had been enacted without the portion held to be unconstitutional, illegal, invalid or ineffective.

5. This resolution shall take effect immediately from and after its passage.

PASSED AND APPROVED this 3rd day of April, 2007.

Alexander E. Briseño, Chairman

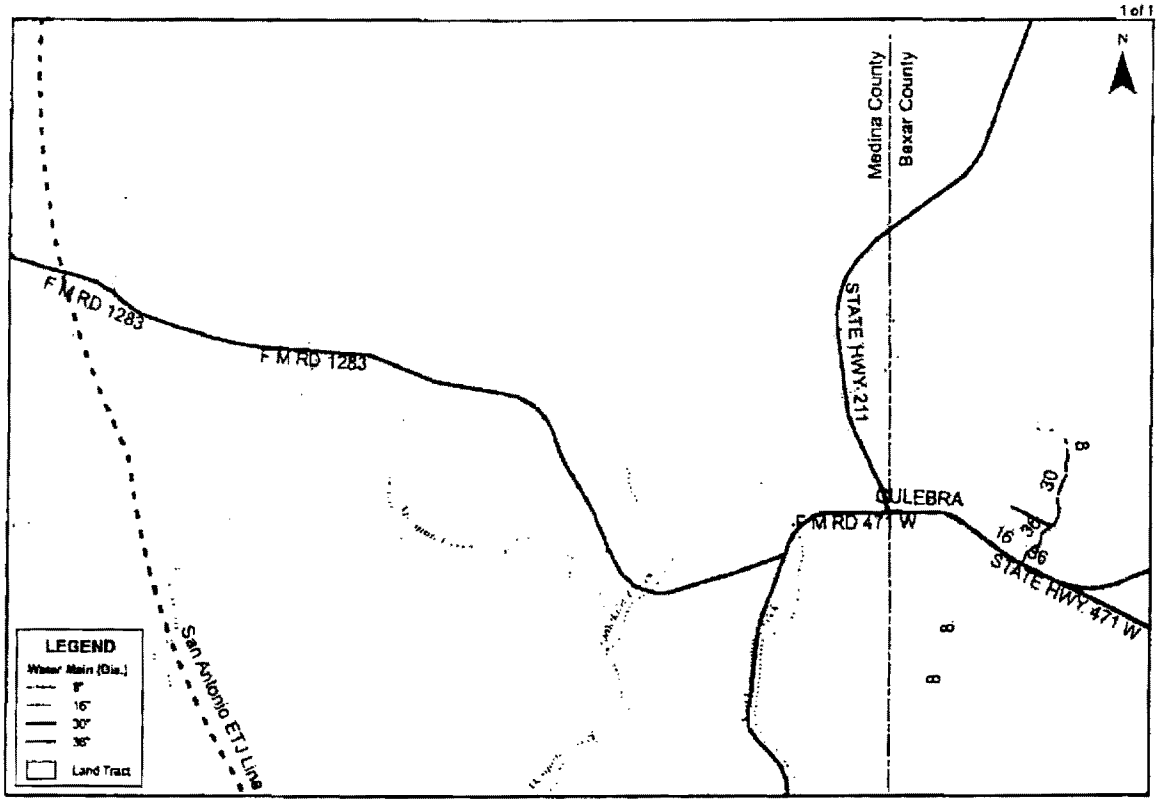
ATTEST:

Salvadore M. Hernández, Secretary

WATER MAP

5

CASTLE ROCK ESTATES AT LAKE MEDINA
850 Acres



Water Requirements:

Water Supply to the tract will be from Pressure Zone (PZ) 12. To supply water to the 850.033-acre Tract consistent with the Board's USR, the flow capacity of a 12-inch main is required for each Pressure Zone.

Currently there are no existing PZ 12 mains within the vicinity of the proposed Tract. The primary source of water in this particular area will be delivered from the Trinity Aquifer, which will require the Developer to construct a satellite water system according to SAWS standards. The satellite water system will consist of a ground storage tank, hydro-pneumatic tanks, booster station, water supply wells, a chlorinator, and pressure reducing valves.

To provide water service to the 850.033-acre tract, the Developer will be required to construct the following water infrastructure:

- Drill a satellite water well system at a capacity of 400 gpm into the Trinity Aquifer that can sustain a firm yield capacity of 230 gpm. The Developer will also be required to submit a hydrogeological report that confirms that the proposed satellite system will have a sustainable firm well capacity of 230 gpm. The hydrogeological report results must be approved and accepted by SAWS. If the hydrogeological report indicates that the firm yield cannot be sustained, the Developer will be required to connect to the existing SAWS infrastructure located approximately 5.5 miles southeast of the proposed property.

- Construct a 300,000 gallon ground storage tank at a hydraulically practical location

- Construct an 8,000 gallon hydro-pneumatic tank and firm service pump capacity of 2,100 gpm located at the tank site.

- Provide 12-inch interconnect mains at the following locations, northern, eastern and western boundaries for PZ 12.

- Provide a performance guarantee (bond, Letter of Credit, etc) that will pay for any well mitigation costs that we incur as a result of SAWS mitigation policy.

- Provide a Groundwater Availability Model (GAM) indicating the permanent influences to the area by the proposed development. If the GAM indicates that the proposed development is acceptable by SAWS, the Developer will be allowed the ultimate demand of 382 as indicated on the submitted engineering study report by Kimely Horn and Associates, Inc. or as dictated by the GAM. The GAM results must be approved and accepted by SAWS prior to service of any customers.