

## ASSIGNMENT OF UTILITY CONSTRUCTION AGREEMENT

This Assignment of Utility Construction Agreement (this "Assignment") is executed and delivered on this the 2<sup>nd</sup> day of April, 2012, by HAYS REUNION RANCH, L.P., a Texas limited partnership ("Assignor"), to and in favor of TAYLOR MORRISON OF TEXAS, INC., a Texas corporation ("Assignee"). Reunion Ranch Water Control and Improvement District, a Texas conservation and reclamation district (the "District"), joins in this Assignment to indicate its consent to the Assignment on the terms provided.

### WITNESSETH:

A. Pine Valley Reunion Ranch, L.P. entered into a Utility Construction Agreement with the District dated November 11, 2005 (the "Agreement") attached hereto as Exhibit A and incorporated herein for all purposes;

B. Pine Valley Reunion Ranch, L.P. assigned all of its right, title and interest in, to and under the Agreement to Assignor by an Agreement and Release dated June 8, 2008; and

C. Assignor desires to assign to Assignee Assignor's rights in the Agreement, and Assignee desires to acquire the same from Assignor;

NOW, THEREFORE, for and in consideration of the sum of Ten and No/100 Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Assignor and Assignee do hereby agree as follows:

1. Assignment. Assignor has ASSIGNED, TRANSFERRED AND CONVEYED and by these premises does hereby ASSIGN, TRANSFER AND CONVEY to Assignee all of Assignor's right, title and interest in, to and under the Agreement.

2. Representations and Warranties. Assignor warrants to Assignee that it has not previously sold or transferred Assignor's right, title and interest in, to and under the Agreement to any person other than Assignor, and that the Agreement is free and clear of all liens and encumbrances.

3. Assumption. Assignee, by its acceptance hereof, hereby (i) agrees to all terms and conditions of the Agreement, (ii) covenants and agrees to assume and perform all duties and obligations to be performed and/or discharged by Assignor under the Agreement, and (iii) covenants and agrees to obey any and all governing laws, statutes or regulations of any kind regarding the Agreement.

4. Indemnity. Assignee hereby covenants and agrees to indemnify, defend and hold the District harmless from and against any and all costs and expenses of any claims or causes of action brought against the District by any person, other than Assignee, regarding the right to reimbursement under the Agreement.

5. Entire Agreement. This Assignment constitutes the entire agreement and understanding between the parties and supersedes all prior agreements and understandings, if any, concerning the subject matter hereof.

6. Binding Effect. All of the terms, provisions, covenants and conditions set forth herein shall be binding upon and shall inure to the benefit of the parties hereto and their respective successors and assigns.

7. Headings. The headings and captions in this Assignment are for convenience only, and shall not control or affect the meaning or construction of any provision of this Assignment.

8. Counterparts; Facsimile Signatures. Facsimile signatures appearing hereon shall be deemed an original, and this Assignment may be executed in multiple counterparts, each of which shall be deemed an original and all of which together shall be a complete executed document for all purposes.

EXECUTED as of the date first above written.

**ASSIGNOR:**

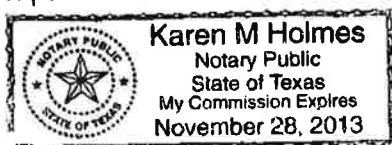
**HAYS REUNION RANCH, L.P.**, a Texas limited partnership

By: **HAYS REUNION RANCH GP, LLC**, a Texas limited liability company, its General Partner

By:   
Frank P. Krasovec, Manager

THE STATE OF TEXAS §  
  §  
COUNTY OF TRAVIS §


This instrument was acknowledged before me on this 22<sup>nd</sup> day of March, 2012, by **FRANK P. KRASOVEC**, Manager of **HAYS REUNION RANCH GP, LLC**, a Texas limited liability company, as General Partner of **HAYS REUNION RANCH, L.P.**, a Texas limited partnership, on behalf of such limited liability company and such limited partnership.



  
NOTARY PUBLIC, State of Texas

**ASSIGNEE:**

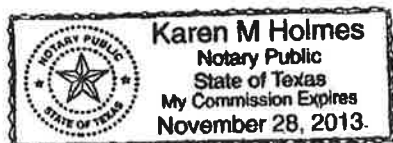
**TAYLOR MORRISON OF TEXAS, INC., a  
Texas corporation**

By:   
Timothy Towell, Division President

By:   
Adib R. Khoury, Vice President

THE STATE OF TEXAS §  
  §  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 29<sup>th</sup> day of March, 2012,  
by **TIMOTHY TOWELL**, Division President of **TAYLOR MORRISON OF TEXAS, INC.**,  
a Texas corporation, on behalf of such corporation.



  
NOTARY PUBLIC, State of Texas

THE STATE OF TEXAS §  
  §  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 29<sup>th</sup> day of March, 2012,  
by **ADIB R. KHOURY**, Vice President of **TAYLOR MORRISON OF TEXAS, INC.**, a  
Texas corporation, on behalf of such corporation.



  
NOTARY PUBLIC, State of Texas

**CONSENT:**

**REUNION RANCH WATER CONTROL  
AND IMPROVEMENT DISTRICT**

By: [Signature]  
Name: Vince Terracina  
Title: President

THE STATE OF TEXAS §  
  §  
COUNTY OF TRAVIS §

This instrument was acknowledged before me on this 25<sup>th</sup> day of April, 2012, by Vince Terracina, President of **REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT**, a Texas conservation and reclamation district, on behalf of such district.

[Signature]  
NOTARY PUBLIC, State of Texas



**Exhibit A**  
**UTILITY CONSTRUCTION AGREEMENT**

UTILITY CONSTRUCTION AGREEMENT  
BETWEEN  
REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT  
AND  
PINE VALLEY REUNION RANCH, L.P.

THE STATE OF TEXAS     §  
  §  
COUNTY OF HAYS         §

This Agreement is made and entered into by and between REUNION RANCH WATER CONTROL AND IMPROVEMENT DISTRICT, a body politic and corporate and a governmental agency of the State of Texas, organized pursuant to the provisions of Article XVI, Section 59 of the Texas Constitution (hereinafter referred to as the "District") and PINE VALLEY REUNION RANCH, L.P., a Texas Limited Partnership (hereinafter referred to as "Developer").

RECITALS

WHEREAS, the Developer intend to develop the property described in Exhibit "A" attached hereto (the "Property") for single family residential purposes and certain commercial uses, together with related amenities; and

WHEREAS, the District was created, was organized and exists for the purpose of furnishing water, sewer, water quality and drainage facilities, park and recreational facilities and services to areas within and outside its boundaries; and

WHEREAS, in furtherance of such purpose, the District wants to provide for the construction of certain water, sanitary sewer, water quality and drainage improvements and park and recreational facilities more fully described in Article I, Section 1, hereof (the "Improvements"); and

WHEREAS, the Board of Directors of the District is cognizant of the advantages of proceeding with the construction and financing of the Improvements prior to the sale of the Bonds, to wit: (i) interim growth in the District is expected to make the Bonds more marketable; (ii) incremental increases in the District's tax base will enable the District to cope more easily with the resulting debt; and (iii) in view of escalating construction costs, the District may save substantial amounts by awarding construction contracts now rather than waiting until the Bonds are sold; and

WHEREAS, the District and the Developer desire to enter into this Agreement for the financing and construction of the Improvements; and

WHEREAS, the District is willing to approve proceeding with construction of the Improvements, provided that the Developer advances all of the District's share of costs incurred in connection therewith and assume all risks of any delay or failure to obtain the approval of the Texas Commission on Environmental Quality (the "TCEQ") for the Improvements and Bonds; and

Exhibit A

WHEREAS, the District is, or will be, a party to the following agreements:

1. Sawyer Ranch/Darden Hill Water Line Cost-Sharing Agreement, with the effective date July 27, 2004, between Cypress-Hays, L.P., a Delaware limited partnership ("Cypress") LSM Ranch, Ltd., a Texas limited partnership ("LSM"), SGL Investments, Ltd., a Texas limited partnership ("SGL"), Hays Reunion Ranch, LP, a Texas limited partnership ("Reunion"), and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating Under Chapters 49 and 51, Texas Water Code ("Greenhawe WCID")

2. Agreement for Construction and Conveyance of, and Reimbursement for Phases One and Three of Sawyer Ranch/Darden Hill Water Line, effective May 4, 2005 between the Lower Colorado River Authority, a conservation and reclamation district created and functioning under Article 16, Section 59 of the Texas Constitution and Chapter 222 of the Texas Water Code ("LCRA"), Rock Creek Holdings, L.P., formerly known as Cypress-Hays, L.P., a Delaware limited partnership ("Rock Creek"); LSM Ranch, Ltd., a Texas limited partnership ("LSM"); SGL Investments, Ltd., a Texas limited partnership ("SGL"); Hays Reunion Ranch, LP, a Texas limited partnership ("Reunion") and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating under Chapters 49 and 51, Texas Water Code ("Greenhawe WCID")

3. Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline between Lower Colorado River Authority, Pulte Homes of Texas L.P., Rock Creek Holdings, L.P., LSM Ranch, Ltd., SGL Investments, Ltd., Hays Reunion Ranch, LP, and Greenhawe Water Control and Improvement District No. 2, effective January 5, 2005 by and between the Lower Colorado River Authority, a conservation and reclamation district created and functioning under Article XVI, Section 59 of the Texas Constitution ("LCRA"), Pulte Homes of Texas, L.P. ("Pulte"), a Texas limited partnership; Rock Creek Holdings, L.P., formerly known as Cypress-Hays, L.P., a Delaware limited partnership ("Rock Creek"); LSM Ranch, Ltd., a Texas limited partnership ("LSM"); SGL Investments, Ltd., a Texas limited partnership ("SGL"); Hays Reunion Ranch, LP, a Texas limited partnership ("Reunion") and Greenhawe Water Control and Improvement District No. 2, a political subdivision of the State of Texas, created and operating under Chapters 49 and 51, Texas Water Code ("Greenhawe WCID" or "Greenhawe"), and the First Amendment to that Certain Cost Sharing and Reimbursement Agreement for Phase II of the Sawyer Ranch Road Pipeline Between Lower Colorado River Authority, Pulte Homes of Texas L.P., Rock Creek Holdings, L.P., LSM Ranch, Ltd., SGL Investments, Ltd., Hays Reunion Ranch, LP, and Greenhawe Water Control and Improvement District No. 2, effective January 5, 2005

4. Water Sale Contract for Municipal Uses by and between Lower Colorado River Authority and Hays Reunion Ranch, L.P.

5. Water Services Agreement between Lower Colorado River Authority and Hays Reunion Ranch, L.P.

The foregoing contracts are referred to as the "LCRA Contracts."

## AGREEMENT

NOW THEREFORE, KNOW ALL MEN BY THESE PRESENTS, that for and in consideration of the mutual promises, covenants, obligations and benefits hereinafter set forth, the District and the Developer hereby contract and agree as follows:

### ARTICLE I

#### Construction of the Improvements

Section 1. The Improvements. The Improvements shall consist of the following:

1. All facilities required to be constructed by or on behalf of the District, and all payments to be made by or on behalf of the District, pursuant to the LCRA Contracts; and
2. Wastewater treatment plants and associated holding ponds and irrigation fields necessary to serve the District; and
3. The internal water and sanitary sewer facilities constructed for provision of retail water and sewer service within the Property; and
4. Water quality and drainage facilities to be constructed sufficient for development of the Property; and
5. The costs of creation and the organizational, administrative, operational and maintenance costs of the District; and
6. Parks and recreational facilities, if and when authorized by law; and
7. Any other facilities, contract rights and costs associated with the Property that qualify for TCEQ approval for bond reimbursement.

Section 2. Design of the Improvements. All physical facilities to be constructed or acquired by the District as a part of the Improvements shall be designed by the Developer' engineer, or another duly qualified engineer mutually agreeable to the District and the Developer. Such design shall be subject to the approval of all governmental agencies with jurisdiction, including, without limitation, the TCEQ, and shall be subject to the design requirements of the LCRA Contracts.



Section 3. Construction and Acquisition of Improvements.

1. The Improvements shall be constructed and all easements, equipment, materials and supplies required in connection therewith may be acquired in the name of the Developer or as otherwise required by the LCRA Contracts.

2. All requests for bids for the Improvements shall be advertised and all construction contracts for the Improvements shall be awarded and administered in the manner provided by law applicable to municipal utility districts and in full compliance with the rules and regulations of the TCEQ, and as required by the LCRA Contracts.

3. The board of directors of the District shall approve the award of all construction contracts, and any change orders.

4. The Developer shall make monthly reports to the District on the monies paid to contractors for the Improvements and shall maintain accounts in such a manner to separately reflect the payments as required by the TCEQ.

5. The Improvements shall be constructed in a good and workmanlike manner and all materials used in such construction shall be free from defects and fit for their intended purpose.

6. Upon completion of construction of any part of the Improvements, the Developer shall provide the District with a certificate of substantial completion from the Developer's engineer certifying that the facilities have been completed in accordance with the specifications approved by the District and will also furnish the District with one reproduction, three blue-lined copies, and one set of AUTOCAD 204 computer files of the as-built or record drawings of the facility.

Section 4. Cost of Improvements to be Funded by Developer. The Developer shall promptly pay the costs of the Improvements as the same become due, including, without limitation, all payments to be made pursuant to the LCRA Contracts and all costs of design, engineering, materials, labor, construction and inspection arising in connection with the Improvements; all payments arising under any contracts entered into for the construction of the Improvements; any payments made to reserve water or wastewater capacity pursuant to the LCRA Contracts; all costs incurred in connection with obtaining governmental approvals, certificates, permits, easements, rights-of-way, or sites required as a part of the construction of the Improvements; and all out-of-pocket expenses incurred in connection with the construction of the Improvements. The District shall not be liable to any contractor, engineer, attorney, materialman or other party employed or contracted with in connection with the construction of the Improvements, but shall only be obligated to reimburse the Developer in the manner and to the extent provided in Article II of this Agreement.

Section 5. Indemnity. The Developer shall indemnify and hold the District harmless from and against all losses, costs, damages, expenses and liabilities (herein collectively referred to as "Losses") of whatsoever nature, including, but not limited to, attorneys' fees, costs of litigation, court costs, amounts paid in settlement and amounts paid to discharge judgments relating to any claim, lawsuit, cause of action or other legal action or proceeding brought against the District or to which the District may be a party, even if groundless, false or fraudulent, directly or indirectly resulting from, arising out of or relating to the acquisition, purchase or construction of the Improvements, but only to the extent same arise prior to the date such Improvements are conveyed to the District. In the event of any action brought against the District in which indemnification by the Developer hereunder is applicable, the District shall promptly given written notice thereof to the Developer, and the Developer shall forthwith assume the investigation and defense of such action, including the employment of counsel and the payment of all expenses related thereto. The District shall have the right, at its expense, to employ separate counsel and to participate in the investigation and defense of any such action. The Developer shall not be liable for the settlement of any such action made by the District without the consent of the Developer; provided, however, that in the event of any settlement entered into with the consent of the Developer or of any final judgment for a plaintiff in any such action, the Developer shall indemnify and hold the District harmless from and against any losses incurred by reason of such settlement or judgment. The expiration of the term of this Agreement shall not relieve the Developer from any liability hereunder arising prior to the expiration hereof.

## ARTICLE II

### Reimbursement for Funds Advanced

Section 1. Time and Amount of Reimbursement Within thirty (30) days of the District's receipt of the proceeds of the sale of Bonds to finance the acquisition, financing or construction of the Improvements or a portion of the Improvements, the District shall reimburse the Developer for those Improvement costs which have been advanced by the Developer pursuant to Article I, Section 4 hereof and have been approved for reimbursement by the TCEQ, together with interest thereon to be calculated from the respective dates of advancement of such funds to the date of reimbursement at an annual interest rate equal to the net effective interest rate on such Bonds or the borrowing rate of the Developer on the Improvements, whichever is less. The reimbursement shall be for the maximum amount allowed by law and the rules of the TCEQ. It is specifically understood and agreed by the parties that the issuance of Bonds to acquire the Improvements will most likely be accomplished through a series of bond sales over time.

Section 2. Conditions to Purchase. The District's obligation to issue Bonds and to reimburse the Developer for funds advanced for the Improvement shall be subject to the following terms and conditions:

1. Approval by the TCEQ of the Improvements whose costs are to be reimbursed at that time and of all items of cost proposed for reimbursement; and
2. Approval by the TCEQ of the issuance and sale of the Bonds by the District;  
and
3. Receipt of a bona fide bid for the Bonds;
4. Approval of the Bonds by the Attorney General of State of Texas and their registration by the Comptroller of Public Accounts; and
5. The assessed value of all taxable property within the District, as shown by the latest appraisal roll issued for the District by the Hays County Appraisal District, together with the projected increase in the assessed value that is allowed by the rules of the TCEQ, is such that the debt service on the District's outstanding Bonds, and the Bonds then being issued, can be paid with a tax rate of \$0.90 per \$100 of assessed valuation. If the projected increase proves to be inaccurate or if there is a reduction in the assessed values such that total resultant tax rate exceeds the \$0.90 per \$100.00, any subsequent issue will be adjusted so as to ensure that the tax rate will be less than or equal to this tax rate limitation; and
6. The District shall not be obligated to issue Bonds in increments of less than \$1,000,000, except for the last issue.

When requested by Developer, the Board of Directors of the District shall use its best efforts to obtain all applicable governmental approvals in an expeditious manner for the acquisition of the Improvements and the issuance of Bonds of the District to acquire the Improvements and to pay for the cost of the Improvements, and to thereafter sell and deliver the Bonds. The District's Bonds shall be offered on terms and conditions generally accepted in the water district bond market and at a net effective interest rate, taking into consideration any discount or premium, not to exceed two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of the Bonds is given, which terms and conditions shall be approved by the Developer. The District shall not be obligated to offer the Bonds in contravention of any laws of the State of Texas or the rules and regulations of the TCEQ. The District agrees to use its best efforts to sell the Bonds, but cannot guarantee the sale thereof. However, if the District is not able to sell the Bonds in the above manner, Developer shall have the right to cause the District to re-offer the Bonds on terms and conditions specified by the Developer, which terms and conditions shall be approved by the District, which approval shall not be unreasonably withheld, and the Developer shall have the right to provide a purchaser for the Bonds at an interest rate equal to two percent (2%) above the highest average interest rate reported by the Daily Bond Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of Bonds is given.

Section 3. Issuance of Bonds. The District and the Developer agree that Bonds will be sold in increments meeting the conditions of the foregoing Article II, Section 2, at the earliest possible time, until the Developer have been reimbursed pursuant to the terms of this Agreement. Subject to the terms and conditions set forth herein, the District agrees that, when requested to do so by the Developer, it will proceed at the earliest practicable time to request the approval of the Improvements and the issuance of an increment of Bonds by the TCEQ and, upon receipt of such approval, will proceed with the issuance and sale of Bonds, provided that the Bonds can be sold subject to the terms and provisions of Article II, Section 2. The District will proceed in a like manner until sufficient Bonds have been sold to fully reimburse the Developer for those costs to be reimbursed pursuant to this Agreement.

Section 4. Reimbursement of Developer from Funds Provided by LCRA. Any funds received by the District from the LCRA for reimbursement of the costs of facilities conveyed by Developer or the District to LCRA shall be paid to Developer in the manner provided in Article IV of this Agreement.

### ARTICLE III

#### Acquisition and Conveyance of Improvements

Section 1. Conveyance to LCRA. The Developer will convey the Improvements in the manner required by the LCRA Contracts. If the improvements are to be acquired by the District, the Developer will comply with Sections 2, 3 and 4 of this Article III.

Section 2. Acquisition of Improvements At the time of reimbursement of the Developer for the Improvements or a portion of the Improvements, the District will acquire such Improvements from the Developer, assume the Developer's interest in any guaranteed reservation of capacity, as applicable, and shall assume (i) the contracts for any portion of the Improvements which remains incomplete at the time of reimbursement for funds already expended, and (ii) all obligations for the maintenance and operation of the Improvements. In the event that some or all of the Improvements are dedicated to a regional water or wastewater system, the District will have an interest in the capacity of said regional water or wastewater system to the extent that the District has reimbursed the cost of such system for its pro rata share of Improvements costs applicable thereto.

Section 3. Conveyance Requirements. The Developer shall convey the Improvements to the District by general warranty deed or other appropriate instrument of conveyance, with full warranties, free and clear of any liens, claims, encumbrances, options, charges, assessments, restrictions, limitations or reservations, including liens for ad valorem taxes for past and current years, and payments due to construction contractors, laborers, or materialmen. The Developer shall provide such proof of title and proof of no liens, claims or encumbrances. Each conveyance shall include Developer' interests in all easements within which the water, sewer, water quality and drainage systems of the District are located, unless such easements have been dedicated to the public, and all easements necessary to own, operate and maintain the Improvements. Each conveyance shall

additionally include fee simple title to any and all plant sites, together with necessary rights of way thereto where such site or sites are not directly accessible by a dedicated public street, and all licenses, franchises and permits for the Improvements. The Developer shall also assign, in writing, all of its contractors' and materialmen's warranties relating to the Improvements. All documents or instruments of conveyance, transfer or assignment hereunder shall be in a form and content acceptable to the District's attorneys. The District may require the Developer to provide a title policy for any of the foregoing conveyances, at the expense of the Developer.

Section 4. Survival of Representations. All representations, warranties and agreements of the District and the Developer hereunder shall survive the conveyance of the Improvements to the District.

Section 5. Use of Improvements. The Developer and the District agree that if the District is unable to purchase the Improvements or its pro rata share of capacity resulting from the construction thereof at such time as the construction of the Improvements is certified to be complete by the Developer's engineer, the District shall be entitled to utilize the Improvements for a period of two (2) years from the date of this Agreement without charge to provide service to users within the District on the same terms and conditions as service is provided to other similar users within the District. In the event the District is unable to sell bonds to purchase the Improvements at the end of such two (2) year period, the District shall have the right to use the Improvement without charge from year to year until the District can meet the conditions set forth in Article II, Section 2 above. In consideration for such use and the right to retain all fees and charges accruing therefrom, the District agrees to perform all maintenance on the Improvements at its sole expense.

#### ARTICLE IV

##### Order of Bond Issuance and Reimbursement

Section 1. Developer understand that District may enter into Utility Construction Agreements similar to this Agreement with other Developers whether by reason of annexation of additional lands or otherwise, and District has entered into a Reimbursement Agreement with East Belt, Ltd. Reimbursement of the costs of Improvements paid by Developer, and by other developers with whom the District has entered into or will enter into reimbursement agreements, from the proceeds of the District's bonds and from reimbursement of the costs paid to the District by the LCRA (collectively, the "Reimbursements"), shall be either (i) in the order in which the construction contracts are signed or, if no construction is involved, in the order in which money is paid for the costs of Improvements (i.e., shall be based on the effective date of the construction contracts, or the date of the payments for the costs of Improvements, with the first in time being the first in reimbursement) or (ii) shall be as otherwise required by the TCEQ.

## ARTICLE V

### Representations

Section 1. Representations by the Developer. The Developer hereby represents to the District that:

1. The execution and delivery of this Agreement and the transactions contemplated hereby have been duly authorized by the Developer; and
2. This Agreement, the representations and covenants contained herein, and the consummation of the transactions contemplated hereby shall not violate or constitute a breach of any contract or other agreement to which the Developer is a party; and
3. The Developer has made financial arrangements sufficient to assure its ability to perform its obligations hereunder.

Section 2. Representations by the District. The District hereby represents and covenants to the Developer that it shall use its best efforts:

1. To obtain the approval of the TCEQ of the Improvements; and
2. To obtain the approval of the TCEQ of the issuance and sale of the District's Bonds; and
3. To obtain the Attorney General's approval of the Bonds; and
4. To obtain registration of the Bonds by the Comptroller of Public Accounts of the State of Texas; and
5. To market the Bonds in the manner set forth herein.

## ARTICLE VI

### Remedies

Section 1. Notice and Cure. In the event of default by any party, a non-defaulting party may give the defaulting party written notice specifying the default (the "Notice"). If the defaulting party fails to fully cure any default that can be cured by payment of money ("Monetary Default"), within 30 days after receipt of the Notice, or fails to commence the cure of any default specified in the Notice that is not a Monetary Default within 30 days of the date of notice, and thereafter to diligently pursue such cure to completion, then the non-defaulting party may exercise its rights under Section 2 or Section 3 of this Article VI, as appropriate.

Section 2. Default by the Developer. In the event of default by the Developer hereunder, the District shall have the right:

1. To terminate this Agreement without thereby incurring any liability to the Developer whatsoever; and
2. To pursue all other legal or equitable remedies; and
3. To recover from the Developer all expenses incurred in pursuing its legal rights hereunder, including reasonable attorneys' fees.

Section 3. Default by District. In the event of default by the District hereunder, the Developer shall have the right:

1. To obtain a writ of mandamus from a court of competent jurisdiction compelling and requiring the District and its officer to observe and perform the covenants, obligations and conditions hereof; and
2. To pursue all other legal or equitable remedies.

## ARTICLE VII

### Miscellaneous

Section 1. Severability. In case any one or more provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provision hereof, and this Agreement shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein.

Section 2. Modification. This Agreement may be modified or varied only by a written instrument subscribed by both of the parties hereto.

Section 3. Assignability. This Agreement may be assigned in whole or in part by the Developer upon written notice to the Board of Directors of the District. The District hereby authorizes the Developer to grant a security interest in the Developer' rights hereunder and to all sums to be paid to the Developer by the District pursuant to this Agreement to any bank or lending institution making a construction or development loan to the Developer for payment of the cost of the Improvements to the extent permitted by State law.

Section 4. Captions. The captions used in connection with the paragraphs of this Agreement are for convenience only and shall not be deemed to construe or limit the meaning of the language contained in this Agreement, or used as interpreting the meanings and provisions hereof.

Section 5. Applicable Law. This Agreement shall be construed and interpreted under the laws of the State of Texas and all obligations of the parties created hereunder are performable in Hays County, Texas.

Section 6. Parties at Interest. This Agreement shall be for the sole and exclusive benefit of the parties hereto and shall never be construed to confer any benefit on any third party. This Agreement shall be binding upon each party, its successors and assigns.

Section 7. Term. Except as otherwise provided herein, this Agreement shall be in force and effect from the date of execution hereof for a term of twenty (20) years or until the transactions contemplated hereby are consummated, whichever first occurs.

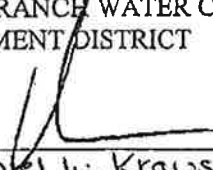
Section 8. Force Majeure. If the District or the Developer is rendered unable, in whole or in part, by force majeure to carry out any of its obligations under this Agreement, then the obligations of such party, to the extent affected by such force majeure and to the extent that due diligence is being used to remedy such inability and to resume performance at the earliest practicable time, shall be suspended during the continuance of any inability so caused to the extent provided but for no longer period. The term "force majeure," as used herein, shall include, within limitation, acts of God; strikes, lockouts, or other industrial disturbances; acts of the public enemy, orders of any kind of the government of the United States or of the State of Texas or any civil or military authority; insurrections; riots; epidemics; landslides; lightning; earthquakes; fires; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions; breakage or accidents to machinery, pipelines or canals; partial or total failure of water supply and inability to provide water necessary for operation of the sewer system; or to receive waste; and any other incapacities of the party; whether similar to those enumerated or otherwise, which are not within the control of the party, which the party could not have avoided by the exercise of due diligence and care. It is understood and agreed that the settlement of strikes and lockouts shall be entirely within the discretion of such party, and that the above requirement that any force majeure shall be remedied with all reasonable dispatch shall not require the settlement of strikes and lockouts by acceding to the demand of the opposing party or parties when such settlement is unfavorable to it in the judgment of such party.

Section 9. Approvals. Whenever the term "approve" or "approval" is used in this Agreement, the Party whose approval is required will not unreasonably withhold or delay it. Where approval is necessary, the Party seeking approval may request approval in writing. If the Party whose approval is requested fails to either approve the submittal or provide written comments specifically identifying the required changes within 21 working days, the submittal, as submitted by the requesting Party, will be deemed to have been approved by the Party whose approval is requested.

Section 10. Effective Date. This Agreement shall be effective from and after the date of due execution by the District and the Developer.

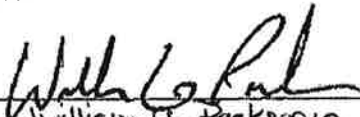


REUNION RANCH WATER CONTROL AND  
IMPROVEMENT DISTRICT

By:   
Dinkel W. Krause  
President, Board of Directors

Date of Execution: November 11, 2005


ATTEST:


By:   
William G. Peckman  
Secretary, Board of Directors

[SEAL]

PINE VALLEY REUNION RANCH, LP,  
a Texas limited partnership

By: Pine Valley Management Company, L.L.C.,  
a Texas limited liability company,  
Its General Partner

By:   
Robert D. Wunsch, Member

By:   
Joseph M. Rutledge, Member

Date of Execution: November 11, 2005

FIELD NOTE 642  
UDG NO. 00-147

490.92 ACRES  
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DESCRIBING 490.92 ACRES OF LAND SITUATED IN THE WILLIAM CARLTON SURVEY, ABSTRACT NO. 124, S. J. WHATLEY SURVEY NO. 22, ABSTRACT NO. 18, AND THE RICHARD HAILEY SURVEY, ABSTRACT NO 124, HAYS COUNTY, TEXAS, BEING ALL OF 192.712 ACRES OF LAND AS DESCRIBED AS TRACT II IN A DEED TO KRASOVEC-REUNION HAYS COUNTY JOINT VENTURE, VOLUME 871, PAGE 445 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, 189.0 ACRES, 97.34 ACRES, 2.66 ACRES AND 11.0 ACRES OF LAND AS DESCRIBED IN A DEED TO KRASOVEC-REUNION HAYS COUNTY JOINT VENTURE, VOLUME 871, PAGE 411 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS, SAVE AND EXCEPT 0.95 ACRES OF LAND AS DESCRIBED IN A DEED TO SAM E. COBB AND WIFE, DANA L. COBB, VOLUME 1678, PAGE 130 OF THE DEED RECORDS OF HAYS COUNTY, TEXAS; SAID 490.92 ACRES BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at an iron rod found at the northwest corner of said 97.34 acres, same being the southwest corner of a 25.27 acre tract as described in a deed to Thomas R. Campbell and wife, Julie W. Campbell recorded in Volume 335, Page 272 of the Deed Records of Hays County, Texas;

THENCE, N88°08'04"E along the common line of said 97.34 acre tract and said 25.27 acre tract, a distance of 960.78 feet to an iron rod found, same being the southwest corner of a 33.085 acre tract as described in a deed to Krasovek - Reunion Hays County Joint Venture recorded in Vol. 871, Page 445 of Hays County, Texas;

THENCE, N88°13'10"E, along the common line of said 97.34 acre tract and 33.085 acre tract, a distance of 535.69 feet to an iron rod found;

THENCE, S07°45'04"E along the common line of said 97.34 acre tract and the 97.9 acre tract, a distance of 2231.10 feet to an iron rod found continuing for a total distance of 2609.01 feet to an iron rod found in concrete at a fence corner;

THENCE, N87°48'44"E along the common line of said 2.66 acre and the 97.9 acre tract, a distance of 186.68 feet to an iron rod set;

THENCE, S89°27'16"E, a distance of 147.72 feet to an iron rod set;

THENCE, N87°50'44"E, a distance of 180.60 feet to a point being the southwest corner of a 52.95 acre tract described in a deed to J. David Trotter and wife, Marcia B. Trotter, Volume 1093, Page 462 of the Deed Records of Hays County, Texas, continuing a total distance of 214.62 feet to an iron rod set, same being the northeast corner of said 2.66 acre tract;

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THENCE, along the common line of said 52.95 acre tract and 192.712 acre tract, the following six (6) courses;

- 1) N87°16'07"E, a distance of 98.69 feet to an iron rod set;
- 2) N87°34'46"E, a distance of 16.03 feet to an iron rod set;
- 3) N87°56'12"E, a distance of 208.06 feet to an iron rod found;
- 4) S89°43'05"E, a distance of 40.20 feet to an iron rod found;
- 5) N87°14'57"E, a distance of 100.58 feet to an iron rod found;
- 6) N87°52'40"E, a distance of 1351.68 feet to an iron rod found, same being an interior corner of a 161.055 acre tract as described in a deed to Lex Calhoun, Volume 857, Page 571 of the Deed Records of Hays County, Texas;

THENCE, S01°29'33"E along the common line of said 192.712 acre tract and said 161.055 acre tract, a distance of 764.90 feet to an iron rod found at a fence post, same being the northwest corner of the 1325.0 acre tract as described in a tract to the City of Austin, Volume 1473, Page 961 of the Deed Records of Hays County, Texas;

THENCE, along the common line of said 1325.0 acre tract and 192.712 acre tract the following eleven (11) courses:

- 1) S01°28'09"E, a distance of 290.83 feet to an iron rod found;
- 2) S01°17'38"E, a distance of 588.05 feet to an iron rod found;
- 3) S01°13'54"E, a distance of 301.11 feet to an iron rod found;
- 4) S29°48'40"E, a distance of 35.31 feet to an iron rod found;
- 5) S03°48'50"E, a distance of 91.51 feet to an iron rod found;
- 6) S03°25'57"E, a distance of 332.55 feet to an iron rod found;
- 7) S03°13'21"E, a distance of 774.45 feet to an iron rod found;
- 8) S03°01'54"E, a distance of 184.05 feet to an iron rod found;
- 9) S04°28'26"E, a distance of 65.66 feet to an iron rod found;
- 10) S03°06'17"E, a distance of 3.14 feet to an iron rod found;
- 11) S24°25'28"W, a distance of 32.08 feet to an iron rod found;
- 12) S01°54'31"E, a distance of 598.78 feet to an iron rod found at a fence post, same being the northeast corner of a tract of land described in a deed to Michael Giles Rutherford, Volume 197, Page 45 of the Deed Records of Hays County, Texas;

THENCE, along the north line of said Rutherford tract and the south line of said 192.712 acre tract, the following two (2) courses:

- 1) S87°15'55"W, a distance of 1441.74 feet to an iron rod found;
- 2) S87°00'02"W, a distance of 398.40 feet to an iron rod found, same being the southwest

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corner of said 189.0 acre tract;

THENCE, S87°14'50"W; a distance of 2814.94 feet to a cotton spindle found at the southwest corner of said 189.0 acre tract, same being an interior corner of said Rutherford tract;

THENCE, N02°11'42"W along the common line of said Rutherford tract and the 289.0 acre tract, a distance of 1601.84 feet to an iron rod found at a fence corner, same being the corner of Lot 36 and Lot 37, of Bear Creek Estates, Section 2, a subdivision recorded in Book 2, Page 199-200 of the Plat Records of Hays County, Texas;

THENCE, N89°16'57"E along the south line of Lot 37 and Lot 38 of said Bear Creek Estates Section 2, a distance of 410.00 feet to an iron rod set, same being an interior corner of Lot 38;

THENCE, N01°57'28"W along the west line of said 189.0 acre tract and the east line of said Bear Creek Estates, Section 2, a distance of 1224.05 feet to an iron rod set on the east line of Lot 16 of Bear Creek Estates, a subdivision recorded in Book 2, Page 98 of the Plat Records of Hays County, Texas;

THENCE, N01°54'48"E, a distance of 310.75 feet to an iron rod found at a fence corner, same being the southwest corner of an 18.40 acre tract as described in a deed to Sam E. Cobb and wife, Dana L. Cobb, Volume 1678, Page 135 of the Deed Records of Travis County;

THENCE, N78°25'06"E along the common line of the said 18.40 acre tract and said 189.0 acre tract, a distance of 157.41 feet to a 60d nail found, about ±4 feet above ground, in a 30" sycamore tree;

THENCE, N72°25'22"E along said 189.0 acre tract and 18.40 acre tract, a distance of 512.25 feet to an iron rod found;

THENCE, N13°25'38"E, a distance of 33.23 feet to an iron rod set in a wire fence line, same being an interior corner of 18.4 acre tract and the southwest corner of said 0.95 acre tract;

THENCE, through the interior of said 189.0 acre tract and 11.0 acre tract the following three (3) courses:

- 1) N80°52'57"E, a distance of 140.78 feet to an iron rod set at a fence corner;
- 2) N00°51'32"E along a wire fence, a distance of 596.56 feet to an iron rod set in a fence line;
- 3) N13°26'41"E leaving existing wire fence, same being the common line of said 18.4 acre tract and 11.0 acre tract, a distance of 174.26 feet to an iron rod found in a fence line, same being the northwest corner of said 11 acre tract and the south line of said 97.34 acre tract;

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THENCE, S87°42'10"W along the south line of said 97.34 acre tract, a distance of 279.41 feet to an iron rod found;

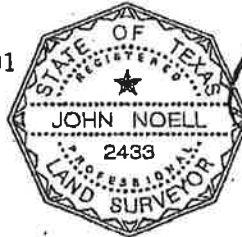
THENCE, S88°25'35"W, a distance of 97.91 feet to an iron rod found at a fence corner, same being the southeast corner of a 2.66 acre tract as described in Volume 871, Page 411 of the Deed Records of Hays County, Texas;

THENCE, N42°40'21"W along a wire fence line, a distance of 631.16 feet to an iron rod found at a fence corner;

THENCE, S88°46'53"W, a distance of 34.11 feet to an iron rod found;

THENCE, N00°53'49"W, a distance of 2136.42 feet to an iron rod found at a fence corner, same being the southwest corner of said 25.27 acre tract to the POINT OF BEGINNING and containing 490.92 acres of land.

Surveyed by  
URBAN DESIGN GROUP  
3660 Stoneridge Road, # E101  
Austin, Texas 78746  
(512) 347-0040



*John Noel*  
John Noel, R.P.L.S. #2433

Date:

*May 11, 2004*

Sketch or map attached.

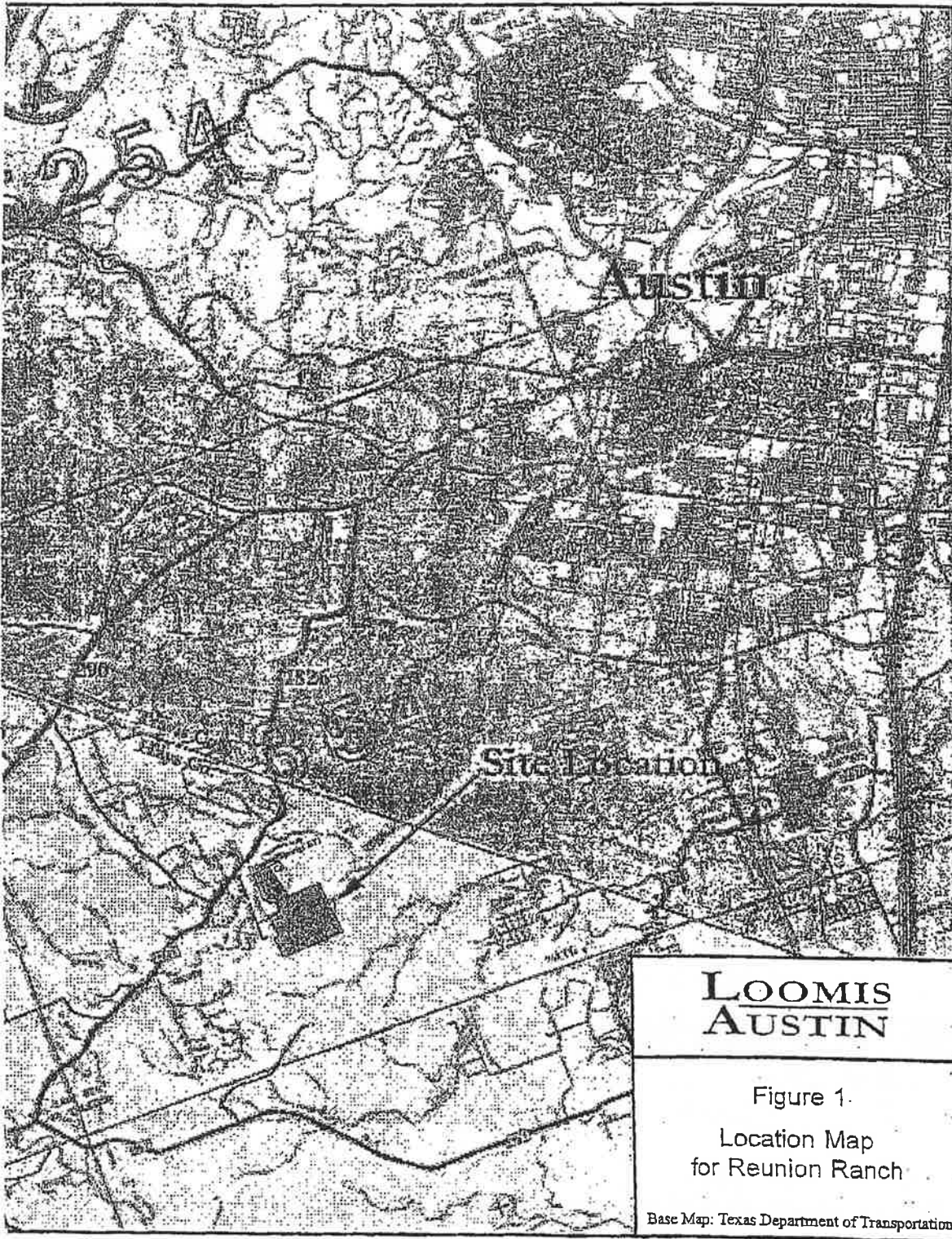


EXHIBIT "B"