

**CONSENT AGREEMENT
PILOT KNOB MUNICIPAL UTILITY DISTRICT NO. 2**

**THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §**

This Consent Agreement (this “Agreement”) is entered into between the **City of Austin, Texas**, a home-rule municipality located in Travis, Hays and Williamson Counties, Texas (“the City”) and **Carma Easton LLC**, a Texas limited liability company (the “Developer”), effective as of _____, 2012 (the “Effective Date”). At the organizational meeting of **Pilot Knob Municipal Utility District No. 2** (the “District”), a proposed municipal utility district to be created under the authority of Chapter 8375, Subtitle F, Title 6, Texas Special District Local Laws (the “Enabling Legislation”) and City Ordinance No. _____ (the “Consent Ordinance”), as contemplated by this Agreement, the District will join in and agree to be bound by this Agreement.

INTRODUCTION

The Enabling Legislation became effective May 23, 2011, and created the District, subject to the consent of the City to the creation. Pursuant to the Consent Ordinance, the City Council of the City has granted its consent to the creation of the District over the 557.187 acre tract or parcel of land owned by the Developer that is more fully described on the attached **Exhibit A** (the “Land”).

As a condition to its consent, the City has required that the Developer and, at the organizational meeting of its Board of Directors, the District enter into this Agreement in order to set forth certain agreements between the City, the Developer, and the District. The City further desires to negotiate and enter into a strategic partnership agreement with the District in order to set forth the terms and conditions of the City’s annexation of the Land and on which the District will continue to exist as a limited district in accordance with Section 43.0751, Texas Local Government Code, and the Enabling Legislation following the City’s full purpose annexation of the Land as provided in **Article IV** of this Agreement.

The Land will be developed as part of a master-planned, mixed-use community proposed to be known as “Easton” (the “Project”) which will include commercial, multi-family, and residential uses, together with park, recreational, and other facilities to serve the community. Because the Project constitutes a significant development that will occur in phases under a master development plan, the Developer and the City wish to enter into this Agreement in order to provide certainty with regard to the regulatory requirements applicable to the land within the District and to provide the City with assurance of a superior quality of development for the benefit of the present and future residents of the City and the Project.

Therefore, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

ARTICLE I. DEFINITIONS

Section 1.01 Definitions. In addition to the terms defined above in this Agreement, the following terms and phrases, when used in this Agreement, will have the meanings set out below:

Agreement: This Consent Agreement between the City, the Developer, and the District.

Applicable Rules: The provisions of the City Code and City Rules that are applicable to the Project.

Board: The duly qualified and acting Board of Directors of the District.

Bonds: Bonds, notes, and other indebtedness issued by the District under Article X of this Agreement.

CCN: A certificate of convenience and necessity issued by the Commission.

City Charter: The City Charter of the City.

City Code: The Austin, Texas Code of Ordinances.

City Council: The City Council of the City.

City Manager: The City Manager of the City, or his designee.

City Rules: The administrative rules and technical criteria manuals related to the ordinances contained in the City Code.

Civic Reserve: The areas within the Project reserved by the Developer for Civic Uses, in accordance with Section 5.03 of this Agreement.

Civic Uses: Schools, fire stations, libraries, transit or multi-modal centers and other land uses that relate to utility, educational, governmental, cultural or law enforcement functions and services or other functions and services that have a high degree of public or social importance.

Commission: The Texas Commission on Environmental Quality, or its successor agency.

Constructing Party: The Developer or the District, whichever has contracted for and is causing the construction of any Internal Water and Wastewater Facilities or Major Water and Wastewater Facilities as provided in this Agreement.

Drainage Facilities: Any drainage improvements designed and constructed to serve the Project, or that naturally receive and convey drainage through the Project, including water-quality and flood mitigation facilities, storm drain systems, drainage ditches, open waterways, and other related facilities that convey or receive drainage.

Effective Date: The date this Agreement has been signed by the City.

EPA: The United States Environmental Protection Agency.

ESD: Travis County Emergency Services District No. 11 or any successor entity created to provide fire protection services to the Land.

Finance Director: The director of the City's finance department, or its successor department within the City.

Impact Fees: Water and wastewater capital recovery fees or impact fees imposed by the City against new development in order to generate revenue for funding or recouping the costs of capital improvements or facility expansions in accordance with State law.

Internal Water and Wastewater Facilities: All water and wastewater improvements, including Reclaimed Water improvements, located within the District and all of the District's interests in Shared Facilities that are designed and constructed to serve only areas within the Project.

Land: The land contained within the boundaries of the District, currently consisting of approximately 557.187 acres of land located in the City's extraterritorial jurisdiction and described by metes and bounds on **Exhibit A**, as such boundaries may be revised from time to time in accordance with the terms of this Agreement or otherwise with the consent of the City.

Land Plan: The master development plan for the Land and other land being developed by the Developer as part of the Project, a copy of which is attached as **Exhibit B**, as amended from time to time, and as superseded and replaced by the PUD, if, as and when the PUD is approved by the City in accordance with this Agreement.

Limited District: Pilot Knob Limited District No. 2, which will be created upon the City's full purpose annexation of the District, in accordance with the SPA.

Limited Purpose Annexation: Annexation by the City for the limited purposes of planning and zoning, as authorized by Article I, Section 7 of the City Charter.

Major Water and Wastewater Facilities: Any water and wastewater improvements, including Reclaimed Water improvements, and Shared Facilities designed and constructed to serve, in addition to the Project, areas outside of the Project.

Other Pilot Knob Districts: Pilot Knob Municipal Utility Districts No. 1, 3, 4, and 5, as approved by the City and created over land located within the Project.

Owners Association: A Texas nonprofit association that will be created by the Developer to, among other things, enforce Restrictive Covenants and own and operate the OA Amenities.

OA Amenities: Swimming pools, splash pads, community centers and other parks and recreational facilities for the Project and any related improvements, land and infrastructure that will be owned, operated and maintained by the Owners Association. Drainage Facilities or utility infrastructure, public roads and sidewalks, and other utility or public infrastructure that is owned, operated, and maintained by the District, the City, another governmental entity or a public utility will not constitute OA Amenities.

Parks and Recreational Facilities. Parks, open space, landscaping, parkways, greenbelts, sidewalks, trails, public right-of-way beautification projects, and recreational equipment and facilities, including street and security lighting associated with parks and trails, that will be owned, operated and maintained by the District or, after full purpose annexation of the District, the Limited District.

Post-Annexation Surcharge: A surcharge on the City's water and wastewater rates, which may be charged to customers within the Land after the full purpose annexation of the District as authorized by Section 54.016(h), Texas Water Code.

PDRD Director: The director of the City's Planning and Development Review Department, or its successor department within the City.

Project Area: The additional land depicted on the attached **Exhibit C**, all or a part of which may be added to the Land and annexed into the District, subject to the requirements of this Agreement.

PUD: The Planned Unit Development for the Project, which will provide for a superior quality of development for the Project.

Reclaimed Water: Domestic or municipal wastewater that has been treated to a quality suitable for a Type I Reclaimed Water Use pursuant to the requirements of the Commission under 30 Texas Administrative Code 210 and any other applicable regulatory entities with jurisdiction.

Reimbursement Agreement: An agreement between the District and a developer within the District, including the Developer, which provides for the District's repayment of costs incurred for capital improvements and other costs which are eligible for reimbursement under the rules of the Commission.

Restrictive Covenants: Declarations of covenants, conditions, and restrictions applicable to land within the Project, which will be enforced by an Owners Association and not by the District, as provided in **Article IX**.

Roadway Improvements: The roadways required for the development of the Land.

Shared Facilities: Internal Water and Wastewater Facilities, Major Water and Wastewater Facilities, Roadway Improvements, and other improvements and facilities that will benefit the District and one or more the Other Pilot Knob Districts, each of which will finance a prorata share of the cost of such improvements and facilities, in accordance with the terms of a Shared Facility Contract.

Shared Facility Contract: A contract between the District and one or more of the Other Pilot Knob Districts that will describe and allocate the cost of Shared Facilities and provide for the payment of the cost of such Shared Facilities through the issuance of bonds by each participating district.

SPA: The strategic partnership agreement to be negotiated and entered into by the City and the District to provide for the limited purpose and full purpose annexation of the District.

Type I Reclaimed Water Use: The use of Reclaimed Water where contact between humans and the Reclaimed Water is likely.

UIR: A utility infrastructure review.

Utility Director: The director of the Austin Water Utility, or its successor department within the City.

Section 1.02 Developer's Agreements Relating to the Project. Certain provisions of this Agreement refer to obligations of the Developer, such as the obligation to make property dedications, which are applicable to the entirety of the Project. Although those obligations may also be referenced in the consent agreements for the Other Pilot Knob Districts, any of the Developer's obligations that are applicable to the entirety of the Project are only required to be performed by the Developer one time for the Project as a whole and will not constitute cumulative obligations unless expressly stated otherwise in this Agreement. Further, any property which is required to be dedicated for the Project as a whole may be located outside of the District and within any of the Other Pilot Knob Districts.

ARTICLE II.

CONSENT ORDINANCE; INITIAL AND FUTURE DISTRICT BOUNDARIES

Section 2.01 Consent Ordinance; Conditions to Effectiveness. The City has approved the Consent Ordinance, which consents to the inclusion of the Land within the District and, subject to the requirements of Section 2.03, the future annexation of other land within the Project Area into the District. Anything herein to the contrary notwithstanding, the Consent Ordinance and this Agreement will be void and of no force or effect if (a) an original of this Agreement, executed by the District and the Developer, is not returned to the City on or before August 31, 2012; or (b) the SPA is not negotiated by the City and the District and an original SPA, executed by the District, returned to the City on or before August 31, 2012.

Section 2.02 Public Hearing. The parties confirm that, prior to the execution of this Agreement, the City has conducted a public hearing for the purpose of considering the adoption of this Agreement.

Section 2.03 Future District Annexation Area;

(a) Project Area. The Developer has advised the City that, in the future, it may acquire additional land within the Project Area and develop it as part of the Project. If the Developer acquires fee simple title to a tract outside of the Land but within the Project Area and the tract is not located within the CCN of any water and/or wastewater utility provider other than the City, the City agrees that the tract may be annexed into the District subject to the City's Limited Purpose Annexation of the tract in question and the portion of the Project Area in question being bound by the terms of this Agreement and the SPA. The Developer agrees to request and participate in the voluntary Limited Purpose Annexation by the City of such portion of the Project Area; waives the requirements of Sections 43.035, 43.071(e)(1)(b), 43.121(b)(2), and 43.127(a), Texas Local Government Code; consents to the postponement of the date for full purpose annexation; and agrees to execute any documents reasonably required by the City in connection with such Limited Purpose Annexation. Upon the Limited Purpose Annexation of the tract in question, the City consents to annexation of that tract into the District and agrees that no further City consent to the annexation will be required; however, the City agrees to provide a resolution evidencing such consent if requested to do so by the Developer or by the District.

(b) Annexation Notice. If any tract within the Project Area is annexed by the District under the authority provided by this Section, the District must, within ten days of the date of the Board's adoption of an order approving the annexation, provide the City with a certified copy of the annexation order, including a metes and bounds description of the annexed tract, and a revised boundary map of the District.

(c) **Annexed Areas Subject to this Agreement and SPA.** Any areas annexed by the District under this Section will be included in the Land and subject to all terms of this Agreement and the SPA that are applicable to other land within the District.

Section 2.04 Boundary Adjustments between Pilot Knob Districts. The City acknowledges that the boundaries of the District have been established prior to the commencement of development of the Project and that adjustments to the District's boundaries may be necessary to accommodate the final development plan for the Project. Accordingly, the City agrees that areas of land within the Other Pilot Knob Districts may be excluded from those districts and added to the District and that portions of the Land may be excluded from the boundaries of the District and added to the Other Pilot Knob Districts in order to avoid having lots and development areas located in multiple districts. The City consents to any such annexation or exclusion and agrees that no further City consent thereto will be required; however, the City agrees to provide a resolution evidencing its consent if requested by the District or the Developer to do so. If any area is annexed or excluded under this Section, the District must, within ten days of the date of the Board's adoption of an order approving the annexation or exclusion, provide the City with a certified copy of the annexation or exclusion order, including a metes and bounds description of the annexed or excluded tract, and a revised boundary map of the District.

Section 2.05 Other Annexations to District. If the District desires to annex additional territory outside of the Project Area and the Other Pilot Knob Districts, such annexation will be subject to City's review and approval, as described in the City Code. The landowner will be required to request and participate in the voluntary Limited Purpose Annexation by the City of the additional territory; to waive the requirements of Sections 43.035, 43.071(e)(1)(b), 43.121(b)(2), and 43.127(a), Texas Local Government Code; to agree to the postponement of the date for full purpose annexation; and to execute any documents reasonably required by the City in connection with such Limited Purpose Annexation.

ARTICLE III. GOVERNANCE

Section 3.01 City-Appointed Board Member. In accordance with the Enabling Legislation, the City will have the right to appoint one member to the District's permanent Board. The City will make its initial appointment by resolution of the City Council on or before _____, 2012, and that appointed Board member will take office at the first Board meeting following such appointment. Thereafter, the City agrees to appoint a new Board member within 60 days of the date any vacancy is created in the City's appointed director position. If the City does not appoint its initial Board member by _____, 2012, or does not appoint a new Board member within 60 days of the date any vacancy in its appointed director position is created, the City agrees that the remaining members of the Board may fill the vacancy in accordance with Section 49.105(a), Texas Water Code.

Section 3.02 Term Limits for Permanent Directors. In accordance with the Enabling Legislation, no member of the District's permanent Board may serve more than two four-year terms of office.

Section 3.03 Maximum Fees of Office. Notwithstanding any contrary provision of applicable law, no member of the District's Board may receive fees of office for more than 16 days of service in any District fiscal year.

Section 3.04 District Information to be Provided to City.

(a) **Agendas.** The District agrees to provide a copy of the agenda for each meeting of its Board to the PDRD Director and the Utility Director, in the manner provided in Section 13.01, concurrently with the posting of the agenda at the Travis County Courthouse.

(b) **Minutes.** The District will provide a copy of the minutes of all meetings of its Board to the PDRD Director and the Utility Director, in the manner provided in Section 13.01, within 15 business days of the date of approval of such minutes by the Board.

(c) **Financial Dormancy Affidavit, Financial Report or Audit.** The District agrees to file a copy of its annual financial dormancy affidavit, annual financial report or annual audit of its debt service and general fund accounts, whichever is required under the Texas Water Code, with the PDRD Director and the Utility Director, in the manner provided in Section 13.01, within 30 days after approval of each financial dormancy affidavit, financial report or audit by the Board. Any required audit must be prepared by an independent certified public accountant.

(d) **Budgets.** The District agrees to file a copy of its approved budget for each fiscal year with the PDRD Director and the Utility Director, in the manner provided in Section 13.01, within 30 days after approval of each budget by the Board.

Section 3.05 Interlocal Agreements. The District is authorized to enter into interlocal agreements with the Other Pilot Knob Districts, with Travis County and with the City for purposes permitted by the Interlocal Cooperation Act, Chapter 791, Government Code, the Enabling Legislation and this Agreement. All interlocal agreements between the District and one or more of the Other Pilot Knob Districts, other than Shared Facilities Contracts that only provide for cost-sharing in Major Water and Wastewater Facilities and Internal Water and Wastewater Facilities based on each district's prorata share of capacity in the facilities covered by the contract, which will not require City review or approval, must be submitted to the PDRD Director and the Utility Director and will be subject to their review and approval prior to execution, which approval will not be unreasonably withheld, conditioned or delayed. A copy of any Shared Facilities Contract only providing for cost-sharing on a pro-rata basis must be filed with the PDRD Director and the Utility Director at least three business days prior to the date of the Board meeting at which the contract is considered by the District. The PDRD Director and the Utility Director will timely review all interlocal agreements submitted under this Section and either approve them or provide written comments specifically identifying any changes required for approval within 45 days of receipt.

Section 3.06 Other Contracts. The District will not, without the prior approval of the PDRD Director and the Utility Director enter into any service contracts with terms that would extend beyond the date of the City's full purpose annexation of the District and (a) require the payment of termination fee for their termination or (b) are not terminable upon 60 days notice or less. The prohibition contained in the preceding sentence will not apply to contracts with utility providers such as Bluebonnet Electrical Cooperative or contracts that will be assumed by the Limited District after full purpose annexation. The PDRD Director and the Utility Director will timely review all contracts submitted under this Section and either approve them or provide written comments specifically identifying any changes required for approval within 45 days of receipt.

Section 3.07 District Property. The District may not sell, convey, lease, mortgage, transfer, assign or otherwise alienate any of its water, Reclaimed Water, and wastewater facilities or other District property, including any facilities or property deemed to be surplus, to any third party other than the City without the prior approval of the City Manager, which approval will not be unreasonably withheld, conditioned or delayed. The foregoing prohibition will not apply to the District's disposal or recycling of equipment or material which has passed its useful life or the grant of easements necessary in connection with the development of the Project, for which no approval will be required.

Section 3.08 City Services. No City services, other than services related to planning and zoning (including environmental quality), enforcement of planning and zoning regulations (including environmental regulations), retail water, Reclaimed Water, and wastewater services, solid waste services, and any other services that the City may agree to provide under separate contract with the District or the Developer will be provided to any area within the District boundaries prior to the City's annexation of such land for full purposes.

ARTICLE IV.

STRATEGIC PARTNERSHIP AGREEMENT; POST-ANNEXATION SURCHARGE

Section 4.01 Strategic Partnership Agreement. At the organizational meeting of the District's Board, the Board will authorize the negotiation and execution of a SPA setting forth the terms and conditions of the City's annexation of the Land and the terms and conditions upon which the District will be converted to a limited district that will continue to exist following the City's full purpose annexation of all of the land within the District in accordance with Section 43.0751, Texas Local Government Code, and the Enabling Legislation. The SPA must be approved by the District and an original, executed by the District, returned to the City on or before August 31, 2012.

Section 4.02 Election on Operation and Maintenance Tax for the Limited District. Concurrently with the District's confirmation election, which will be held as required by the Enabling Legislation, the District agrees to conduct an election on a proposition to authorize the Limited District to levy an operation and maintenance tax, as authorized by Section 49.107, Texas Water Code, to provide funds to operate the Limited District and to operate and maintain the facilities of the Limited District following full purpose annexation of the District. The District agrees that it may not issue bonds until such time as this proposition has been submitted to and approved by the voters within the District.

Section 4.03 Post-Annexation Surcharge. After the date the District is annexed by the City for full purposes, the City may charge customers within the District a Post-Annexation Surcharge, as permitted by Section 54.016(h), Texas Water Code, to compensate the City for its assumption of obligations of the District, provided that, at the time of annexation, at least 90% of the facilities for which District Bonds are authorized have been installed. For purposes of this Section, 90% of the facilities for which District Bonds are authorized will be deemed to have been installed at such time as such facilities required to serve 90% of the Land have been constructed. The Post-Annexation Surcharge will be calculated based on the criteria and in accordance with the formula attached as Exhibit D. The Post-Annexation Surcharge may be charged and collected by the City, in addition to the City's water and sewer rates, until the bonded indebtedness of the District has been retired or for a period of 30 years after the date of full purpose annexation of the District, whichever occurs first. The City will have the right to recalculate the amount of the Post-Annexation Surcharge if necessary to compensate the City for additional outstanding obligations of the District assumed by the City or if the variables used to calculate the Post-Annexation Surcharge change, and such recalculated surcharge may be charged and collected as provided herein. The provisions of this Section will be disclosed at

closing to each purchaser of land within the District. The parties agree that the formula set forth on **Exhibit D** meets the requirements of Section 54.016(h)(4), Texas Water Code.

ARTICLE V. SUPERIOR DEVELOPMENT; DEVELOPMENT RIGHTS

Section 5.01 Development in Accordance with Land Plan and PUD. The City hereby confirms its approval of the Land Plan, including the land uses and densities shown on the Land Plan. The Land Plan will be effective until such time as the City has approved the PUD, which approval will be subject to the terms of the City Code and this Agreement and will be within the City's sole discretion, at which time the PUD will supersede and replace the Land Plan. Due to the fact that the Project includes a significant land area and its development will occur in phases over a number of years, the City and the Developer acknowledge that changes to the Land Plan may become desirable due to changes in market conditions or other factors. Variations of a preliminary plat or final plat from the Land Plan that do not increase the overall density of development of the Project will not require an amendment to the Land Plan. Although the Land Plan covers the entire Project, revisions of the Land Plan that only affect the land within one of the districts within the Project will only require the consent of the affected district. Similarly, minor changes to street alignments, lot line locations, or lot sizes that do not result in an increase in the total number of lots within the Project will not require an amendment to the Land Plan. Changes to the location of civic uses may be approved administratively. School location changes require the prior approval of the Del Valle Independent School District. Other changes to the Land Plan and all changes to the PUD will be subject to review and approval by the City in accordance with the process set forth in the City Code, which approval will not be unreasonably withheld, conditioned or delayed.

Section 5.02 Applicable Rules. Notwithstanding any subsequent change to such statute, the Developer will be entitled to take advantage of all rights conferred under Chapter 245, Texas Local Government Code, without forfeiting any rights under this Article.

Section 5.03 Planned Unit Development. The Developer agrees to prepare and submit a proposed PUD for the Project for the City's review and consideration in accordance with the City Code and this Agreement. The PUD will include mixed uses, as shown on the Land Plan, as well as a variety of housing types and prices. The PUD will provide for a compact, connected community in accordance with the City's comprehensive plan and will meet the superior development standards contained in this Agreement. Additional cost participations which exceed the requirements set forth in this Agreement and the Applicable Rules will not be required as a condition to approval of the PUD. ***(Note: Developer has also requested language that confirms that no additional dedications or development standards that exceed those set forth in the Applicable Rules and this Agreement will be required as a condition to approval of the PUD; this is under discussion with Staff)***. The Developer agrees that the densities and land uses reflected on the Land Plan are not guaranteed levels of development. The City Staff has recommended that the Land initially be designated as interim single-family residence standard lot (I-SF-2) district. The Developer agrees that it will apply for initial zoning as a part of its application for approval of the PUD. The I-SF-2 zoning category would be established as only an interim category for purposes of the City's Limited Purpose Annexation of the District and will not be utilized to establish baseline zoning for the PUD. Until the PUD is approved by the City, the City will not be required to issue any site development permits for any portion of the Land other than permits consistent with this interim category and the terms of this Agreement. A reference to this Agreement will be included on the face of all preliminary plans covering portions of the Land. If, as, and when the City approves the PUD, the PUD zoning will supersede and replace the Land Plan, which will be

of no further force or effect. ***Note: Developer requests area of ISF4; under discussion with Staff.***

Section 5.04 Development and Construction Standards. The Developer agrees that all development, construction, and infrastructure within the District will comply with City design standards, specifications, and requirements, unless otherwise provided in this Agreement or approved by the City. The Developer agrees that the Restrictive Covenants for the Land will require that either (a) all buildings within the District be constructed in a manner sufficient to achieve a rating of two stars or greater under the City's Austin Energy Green Building Program, or (b) such buildings be constructed in a manner sufficient to achieve a reasonably equivalent rating under another program approved by the City. The Developer also agrees that the Restrictive Covenants will require that toilets, bathroom sink faucets and shower heads that are labeled as meeting the standards of the EPA WaterSense program, or a comparable program approved by the Developer and the City, be installed in all residential buildings within the District and that all residential irrigation system components are certified as meeting the standards of the EPA WaterSense program, or a comparable program approved by the Developer and the City, or, if the EPA WaterSense program ceases to exist, that such fixtures and irrigation system components be labeled, certified or approved through a comparable program established or approved by the EPA or the City.

Section 5.05 Civic Uses and Civic Reserve. During the PUD process, the Developer will designate a Civic Reserve within the Project, which may consist of one or more tracts. The Developer agrees to make land out of the Civic Reserve available for Civic Uses as provided on the attached **Exhibit E**.

Section 5.06 Drainage Facilities and Environmental Protection. The Land will be developed with an integrated storm water system and enhanced regional water quality system that will comply with the requirements set forth on the attached **Exhibit F**. Because the Drainage Facilities within the District will be owned, financed, operated and maintained by the District, and not the City, customers and developers within the District will not be assessed any City drainage or water quality fees or charges prior to full purpose annexation. Upon full purpose annexation, the City will assume the responsibility for maintenance of all Drainage Facilities and all standard City drainage fees will apply.

Section 5.07 Tree and Landscaping Requirements. The Developer will meet the minimum landscaping requirements for the Land set forth on the attached **Exhibit G**.

Section 5.08 Fire Protection. The District and the Developer agree to cooperate with the City to develop a fire protection plan to meet the needs of the District, the Other Pilot Knob Districts and other portions of the service areas of the City and the ESD as provided on the attached **Exhibit H**. The City acknowledges that any fire protection plan that is developed is subject to approval by the Commission and the voters within the District. The fire/EMS site described on **Exhibit E** will be donated to the City regardless of whether a fire protection plan is finally approved.

Section 5.09 Transportation. The Developer agrees to comply with the transportation requirements attached as **Exhibit I**.

Section 5.10 Building and Urban Design. The Developer agrees that the design standards set forth on the attached **Exhibit J** will be included in the PUD and shown on the face of all preliminary plans covering property within the District.

Section 5.11 Art in Public Places. The Developer agrees to participate in the City's Art in Public Places Program as provided in the attached Exhibit K.

Section 5.12 Affordable Housing. The Developer will support the City's affordable housing goals and programs as provided in the attached Exhibit L.

ARTICLE VI. WATER AND WASTEWATER FACILITIES AND SERVICES

Section 6.01 City To Provide Retail Water and Wastewater Utility Services. The City will be the sole provider of retail water and wastewater services within the District and will provide water and wastewater service to customers within the District in the same manner and on the same terms and conditions as the City provides service to other retail customers inside its corporate limits. If, at the time of final creation of the District, any areas of the District are located within the CCN of any water and/or wastewater utility provider other than the City, no vertical development may occur within such areas and no water and/or wastewater services may be provided to those areas by the District, nor will any such services be provided by the City, until such time as those areas are excluded from the CCN of the other water and/or wastewater utility provider. Except as otherwise provided in this Agreement, the City's standard water and wastewater rates, charges, and other fees, including engineering review and inspection fees, that are applicable within the City's corporate limits will be applicable to facilities constructed, connections made, and services provided within the District. ***Note: The Developer and Staff are not in agreement on the Impact Fees that should be applied to the Project (in-City versus out-of-City).*** The foregoing notwithstanding, the City acknowledges that it would not be equitable for the District or the Developer to both construct and fully finance the water and wastewater facilities identified on Exhibits M-1, M-2, M-3 and M-4 and also to pay costs associated with the same facilities through Impact Fees. Accordingly, if any costs of any Internal Water and Wastewater Facilities and/or the Major Water and Wastewater Facilities (other than costs associated with replacement or refurbishment) are now or in the future included in the City's Impact Fees, the City agrees that, until the full purpose annexation of the District, the Developer will receive a credit, which may only be applied to Impact Fees payable for development within the Project, against the City's Impact Fees in an amount equal to the portion of the Internal Water and Wastewater Facilities and/or the Major Water and Wastewater Facilities' cost included in the Impact Fees. All fees, rates, and charges for water and wastewater service will be billed and collected by the City. The District will not contract with any retail public utility other than the City for water or wastewater services and will not provide any retail or wholesale water or wastewater services.

Section 6.02 Service Level. The City agrees and commits to provide sufficient water and wastewater service for the full build-out of all of the Land within the District. The City agrees to provide written confirmation of the availability of service upon the District's request if required in connection with any District bond sale.

Section 6.03 Responsibility for Design, Financing and Construction. Unless otherwise specifically provided in this Agreement, the District or the Developer will design, finance, construct, and convey to the City all Internal Water and Wastewater Facilities required to provide retail water and wastewater services to the District, and the Developer or the District and/or the Other Pilot Knob Districts will design, finance, construct, and convey to the City all Major Water and Wastewater Facilities required to serve the Project as set forth on the conceptual utility plan attached as Exhibits M-1, M-2, M-3 and M-4, as amended from time to time, all at no cost to the City except as provided on Exhibit N. All such projects will be bid in accordance with the requirements applicable to the District under the rules of the

Commission and Chapters 49 and 54, Texas Water Code. If, in the future, the City cost participates with the District in any oversized water or wastewater facilities not currently contemplated by this Agreement, those facilities will be bid in accordance with applicable City requirements.

Section 6.04 Utility Planning and Phasing. The City approves the conceptual plan for the type, sizing, and alignment of the Major Water and Wastewater Facilities required for the full-build out of the Project attached as Exhibits M-1, M-2, M-3 and M-4 and the cost reimbursements, waivers and participations described on Exhibit N. This conceptual plan has been developed and approved by the Developer and the City based on current conditions and anticipated future utility requirements. If, in the future, the City's or the Developer's requirements change, changes to Exhibits M-1, M-2, M-3 M-4 and N that are acceptable to the Developer, the District, and the Utility Director may be approved administratively by the Utility Director on behalf of the City. For each phase of development, the Constructing Party will be required to submit a UIR that is consistent with Exhibits M-1, M-2, M-3, M-4 and N, as amended from time to time. In conjunction with each UIR, the Constructing Party will provide the Utility Director with all information pertaining to the related phase of development that is necessary for the Utility Director to confirm the level of service and the appropriateness of the type, sizing, and alignment of the water and wastewater infrastructure. The City agrees that no fees will be required for filing or processing any UIR under this Section. The Utility Director will timely review all UIRs submitted under this Section and either approve them or provide written comments specifically identifying any changes required for approval within 90 days of receiving a complete UIR from the Constructing Party. The City will utilize the infrastructure constructed pursuant to each approved UIR to provide service to the related phase of development at the requested level of service. The City will not require that the Developer or the District finance or construct any Major Water and Wastewater Facilities in addition to those identified on Exhibits M-1, M-2, M-3 M-4 and N, as amended from time to time, for any phase of development unless (a) the Developer or the District has materially modified its requested level of service in a manner that would reasonably require additional Major Water and Wastewater Facilities; or (b) the City has identified oversizing requirements other than those set forth on Exhibits M-1, M-2, M-3 M-4and N, as amended from time to time, in its response. If subsection (b) of the preceding sentence of this Section applies, the City will be required to pay the cost of such additional oversizing in accordance with City ordinances and this Agreement.

Section 6.05 Design of Water and Wastewater Facilities; Points of Connection. All water and wastewater facilities required to serve the District will be designed in accordance with applicable City requirements and design standards as well as any applicable regulations of other governmental entities with jurisdiction. The plans and specifications for such facilities will be subject to review and approval by the City prior to the commencement of construction, and the City will collect all applicable fees in accordance with its policies and procedures, subject to the terms of this Agreement. The sizing and routing of all such facilities will be consistent with Exhibits M-1, M-2, M-3 and M-4 . The initial points of connection are shown conceptually on Exhibits M-1, M-2, M-3 and M-4. All other points of connection to the City's water and wastewater system will be subject to approval by the City.

Section 6.06 Easements and Land. All Internal Water and Wastewater Facilities to the customer side of the meter will be constructed within dedicated utility easements or public rights-of-way, and all required easements will be dedicated to the City, on forms approved by and at no cost to the City, at the earlier of the City's approval of a construction plans or a final plat for the land within which the facilities will be constructed. Land and easements required for Major Water and Wastewater Facilities will be conveyed to the City, in lengths and widths which are consistent with the City's Utility Design Criteria and this

Agreement, on forms approved by the City and at no cost to the City, at the earlier of the City's approval of a construction plans or a final plat for the land within which the facilities will be constructed, but the Developer will be entitled to reimbursement for such lands and easements from the District and the Other Pilot Knob Districts as permitted under the rules of the Commission, except as otherwise provided in Section 10.11. The Developer and the District agree to use reasonable, good faith efforts to acquire all easements required for Major Water and Wastewater Facilities located outside the Project through negotiation; however, if the Developer and the District are unable to obtain any required easement by agreement, the City agrees, upon request, to promptly request City Council approval to acquire the easement in question utilizing the City's power of eminent domain and, upon such approval, to promptly initiate and diligently pursue the condemnation of the easement in question. If the City Council does not approve proceeding with condemnation of any required easement within 120 days of the Developer or the District requesting, in writing, that the City staff initiate a Council action item for such condemnation, then the Developer or the District may request approval of an alternative routing for the facility in question, and the City agrees that its approval of such alternative routing will not be unreasonably withheld, conditioned or delayed. The City's actual and reasonable cost of acquiring any required easement by eminent domain will be reimbursed by the Developer within 30 days of receipt of an invoice, including all supporting documentation, from the City. The Developer will be entitled to reimbursement by the District for all costs paid by the Developer for offsite easement acquisition as permitted by the rules of the Commission.

Section 6.07 City's Reimbursement and Cost Participation Policies; Oversizing. To the extent the City requires any Major Water and Wastewater Facilities or Internal Water and Wastewater Facilities to be oversized to serve areas outside of the Project or requires any easements for Major Water and Wastewater Facilities or Internal Water and Wastewater Facilities to be sized for facilities larger than or in addition to the facilities required to serve the Project, the City will reimburse the Developer for such easements and oversizing in accordance with the terms of the attached Exhibit N.

Section 6.08 Major Water and Wastewater Facilities. The City agrees that the District may participate in the construction of certain Major Water and Wastewater Facilities as Shared Facilities, and the joint design, financing, construction, and use of such Shared Facilities are expressly permitted by this Agreement. All Major Water and Wastewater Facilities will be constructed in phases as development occurs and will be extended through each tract that is being developed to the boundary of any adjacent, undeveloped land within the Project in order to allow service to be extended in an orderly and consistent manner to the adjoining land at the time it is developed. The phasing plan for any Major Water and Wastewater Facilities will be subject to approval of the Utility Director, which approval will not be unreasonably withheld, conditioned, or delayed as long as it is consistent with the Developer's development plan for the Project. The District and the Developer agree to cooperate with the City in order to assure that Major Water and Wastewater Facilities in which the District participates are extended in a manner that does not result in the City becoming responsible for the completion of any Major Water and Wastewater Facilities after full purpose annexation of the District. If the Developer sells any tract out of the Land prior to (a) recordation of a final subdivision plat covering such tract and (b) dedicating all of the easements required to extend the Major Water and Wastewater Facilities through that tract as provided in Section 6.06, above, the Developer will, prior to the closing of such sale, either (a) convey the easement or easements in question to the City as provided in Section 6.06, or (b) convey the tract subject to a restrictive covenant, in the form attached as Exhibit O, which requires the purchaser to donate the easement or easements in question as provided in that Section. If the Developer conveys any tract in violation of this provision, the City, at its sole discretion, may withhold water and wastewater service to the tract until the required easement is conveyed or the restrictive

covenant is recorded or may pursue any other remedy available to the City for a default by the Developer under this Agreement.

Section 6.09 Construction by City. The City reserves the right, at its discretion, to construct or require a third party to construct any portion of the Major Water and Wastewater Facilities. The City will notify the Developer and the District of its intention to do so, however, and no construction by the City or a third party will be permitted if it would materially impair the construction of Major Water and Wastewater Facilities or Internal Water and Wastewater Facilities by the Developer or the District, or materially delay the availability of service to the Project.

Section 6.10 Commencement of Construction; Notice; Inspections. Following City approval of the plans and specifications for each water and wastewater utility project and prior to the commencement of construction, the Constructing Party will give written notice to the Utility Director in order to allow the City to assign an inspector. The City will inspect all Major Water and Wastewater Facilities and Internal Water and Wastewater Facilities for compliance with the approved plans and specifications. The City will also, for each connection, conduct the series of plumbing inspections required by the Texas Plumbing License Law and issue a customer service inspection certificate when all inspections are satisfactorily completed. The City will provide the inspections contemplated by this Section for the standard fees charged by the City for inspections inside the City limits, which fees will be collected by the City from the customer requesting the inspection. The City will retain copies of all inspection reports for the City's applicable records retention period, and provide them to the District upon request.

Section 6.11 Record Drawings. The Constructing Party will provide one set of record drawings of all Internal Water and Wastewater Facilities and Major Water and Wastewater Facilities constructed by or on behalf of the District to the City, at no cost to the City. The Constructing Party will use good faith efforts to obtain and furnish such drawings within 30 days of approval of the final pay estimate for each project.

Section 6.12 Conveyance to City; Ownership, Operation, and Maintenance of Internal Water and Wastewater Facilities and Major Water and Wastewater Facilities. Upon completion of construction of any Major Water and Wastewater Facilities and Internal Water and Wastewater Facilities constructed by or on behalf of the District and following the City's acceptance of such facilities, as documented in a letter from the City to the Developer, the Constructing Party will promptly convey those facilities to the City, on forms approved by the City and at no cost to the City, subject to the City's obligation to provide service to the District as provided in this Agreement. Any failure of a Constructing Party to promptly convey facilities as required in this Section may constitute a default by the Constructing Party under this Agreement. Any such conveyance will not affect the Developer's right to reimbursement from the District for the cost of any facilities or capacity in facilities constructed or financed by the Developer. The Constructing Party will also assign all contract rights, warranties, guarantees, assurances of performance, and bonds related to the facilities conveyed to the City, at no cost to the City and on forms approved by the City. The City agrees that its acceptance of such facilities and the related assignments will not be unreasonably withheld, conditioned, or delayed as long as the facilities have been constructed in accordance with the plans approved by the City and all outstanding "punch list" items have been resolved. Upon any such conveyance and acceptance, the City agrees to operate and maintain such facilities to provide service to the District in accordance with this Agreement.

Section 6.13 Availability of Service. The City agrees to provide service as required for development within the Land including water service at flow rates and pressures

sufficient to meet the minimum requirements of the Commission and to provide sufficient fire flows. The Developer and the District agree that the City may use the Major Water and Wastewater Facilities and Internal Water and Wastewater Facilities to serve third parties, so long as such use does not impair the City's commitment of and ability to provide water and wastewater service to the Project as and when required. The City further agrees that, upon the payment of the City's Impact Fees as required by this Agreement, the City will guarantee the District service from the City's water and wastewater utility system for the Land as requested in accordance with the applicable UIR and this Agreement.

Section 6.14 Water Conservation. The District will comply with the City's Water Conservation Ordinance, as amended from time to time.

Section 6.15 Fire Hydrants. The City will maintain any fire hydrants that are a part of the public water system serving the Project and are conveyed to the City. The Developer agrees that the Restrictive Covenants will require that any privately-owned fire hydrants, such as those located within commercial developments, including apartment complexes, that are located outside of a water and wastewater easement conveyed to the City will be owned, operated, and maintained by the owner of the property on which the hydrants are located. The Restrictive Covenants will also require that commercial property owners perform maintenance of all privately-owned fire hydrants on their property in accordance with the City's maintenance recommendations applicable to City-owned fire hydrants. The City agrees to include a note on the construction plans for any commercial property within the District that identifies any fire hydrants on that property that will be owned and must be maintained by the property owner. The City will have no responsibility for maintenance of privately-owned hydrants, but may require the reservation of appropriate easements on all properties on which privately-owned fire hydrants will be located in order to allow the applicable fire service provider to access the fire hydrants for fire-fighting purposes.

ARTICLE VII. OTHER UTILITIES AND SERVICES

Section 7.01 Generally. The Developer will have the right to select the providers of cable television, gas, telephone, telecommunications, and all other utilities and services not specifically covered by this Agreement, or to provide "bundled" utilities within the Land.

Section 7.02 Street Lighting. The Developer will construct street lighting within the boundaries of the District in compliance with the applicable standards of Bluebonnet Electric Cooperative, the electric service provider for the Land. The District will operate and maintain the street lighting within its boundaries until the District is annexed by the City for full purposes.

Section 7.03 Solid Waste and Recycling Service. The City will be the sole provider of residential solid waste services, as defined in Chapter 15-6 of the City Code, within the District. The District will contract with the City to provide solid waste services to all of the District's residences. The City will provide solid waste services to the District's residences for the same rates, in the same manner and on the same terms and conditions that the City provides solid waste services to residences located within the City limits. The City's charges for solid waste services will be included on the City's regular monthly water and wastewater bills to customers within the District and the District will have no liability for such charges.

**ARTICLE VIII.
PARKS AND RECREATIONAL FACILITIES AND OTHER COMMUNITY
AMENITIES**

Section 8.01 Project Park Requirements. The Project will be developed as a master-planned community with substantial parkland, open space, greenbelts, trails, and park improvements. The City agrees that the private and public parkland, open space, greenbelts, and trails described in this Agreement will satisfy all of the parkland dedication requirements for the Project, and that no additional parkland dedication or park fees will be required from the Developer. The Developer will prepare a park facilities plan for the Project that will identify the Parks and Recreational Facilities to be owned and operated by the District and/or the Other Pilot Knob Districts and the OA Amenities to be owned and operated by the Owners Association and a copy of such plan will be provided to the PDRD Director at least three business days before the Board meeting at which the District will consider approval of the Plan. The Developer and the District agree that any design or construction plans related to the park and open space land within the Project will be subject to approval by the City.

Section 8.02 ADA Compliance. The Parks and Recreational Facilities for the overall Project will be designed to comply with the accessibility requirements of the Americans with Disabilities Act and will meet any applicable consumer product safety standards.

Section 8.03 Project Parks and Open Space. Based on the preliminary development plan for the Project, approximately 157 acres of park and open space land are required under the current Applicable Rules. The Developer agrees to provide park and open space land and improvements for the Project exceeding this required acreage as described on the attached Exhibit P.

Section 8.04 Ownership, Operation and Maintenance of Parks and Recreational Facilities. Except for property to be dedicated to the Owners Association or dedicated to or reserved for the City or another governmental entity under this Agreement, the Developer will dedicate all Parks and Recreational Facilities located within the Project to the District or one of the Other Pilot Knob Districts for ownership, operation, and maintenance. No OA Amenities may be dedicated to the District and all OA Amenities must be conveyed to and operated and maintained by the Owners Association. The District agrees not to convey or transfer any Parks and Recreational Facilities to the Owners Association without the approval of the City. The District agrees to operate and maintain the Parks and Recreational Facilities conveyed to it in a good state of repair and in a manner so as not to create a nuisance or danger to the public health and safety. The City will have no obligation to operate or maintain the Parks and Recreational Facilities dedicated to the District.

**ARTICLE IX.
RESTRICTIVE COVENANTS; LIMITATION ON DISTRICT POWERS; DUTIES OF
OWNERS ASSOCIATION**

Section 9.01 Restrictive Covenants. The Developer will impose Restrictive Covenants on all of the Land within the District in order to assure high quality development and high quality maintenance of all improvements constructed for the benefit of the community which are not maintained by a public entity. The Restrictive Covenants, which will include any provisions specifically required by this Agreement, will be enforced by the Owners Association. Any Restrictive Covenants to be imposed on property owned or to be conveyed to the District will be subject to the review and approval of the PDRD Director prior to recordation, which approval will not be unreasonably withheld, conditioned or delayed.

Section 9.02 Limitation on District Powers. The District agrees that it will not have or exercise the power to enforce Restrictive Covenants nor the power to own, finance, construct, or maintain any OA Amenities. The Developer agrees that all OA Amenities will be conveyed to and be owned, operated, and maintained by an Owners Association and not the District.

Section 9.03 Creation of Owners Association by the Developer. The Developer agrees to cause the Owners Association to be created as a Texas nonprofit corporation on or before the date the first subdivided lot within the District is sold to a third-party purchaser. This agreement of the Developer will constitute a covenant running with the Land, and will be binding upon the Developer and its successors and assigns until such time as the Owners Association is duly incorporated and notice of the creation is provided to the City and recorded in the Official Public Records of Travis County, Texas.

Section 9.04 Membership in and Duties of the Owners Association. The owners of all developed lots within the District (other than the Owners Association, the District and/or Limited District, and any other public utility or public entity owning property within the District, including the City and/or Travis County), will be required to be members of the Owners Association under the terms of the Restrictive Covenants. The Owners Association will be granted assessment powers and lien rights under the Restrictive Covenants. The Owners Association will be obligated, among other duties, to enforce the Restrictive Covenants in order to maintain property values in the District and to accept all OA Amenities constructed by the Developer within the District for ownership, operation, and maintenance. The Owners Association will be required, under the terms of the Restrictive Covenants, to levy assessments sufficient to pay all capital, operations and maintenance expenses associated with the OA Amenities.

ARTICLE X. FINANCIAL AND BONDS

Section 10.01 Tax Rate. The District agrees that, unless otherwise approved in writing by the City Council, the District's total annual ad valorem tax rate must equal or exceed the City's annual ad valorem tax rate. The District agrees to adopt its annual tax rate in compliance with the legal requirements applicable to municipal utility districts, to report the tax rate set by the District each year to the District's tax assessor/collector and to perform all acts required by law for its tax rate to be effective.

Section 10.02 District Fees. The District agrees that the City will be exempt from, and will not be assessed, any District fees.

Section 10.03 Authority to Issue Bonds. The District will have the authority to issue Bonds:

(a) for the purchase, construction, acquisition, repair, extension, and improvement of land, easements, works, improvements, facilities, plants, equipment, and appliances, undivided interests in facilities, and/or contract rights, necessary to:

- (1)** provide a water supply for municipal uses, domestic uses, and commercial purposes;
- (2)** collect, transport, process, dispose of, and control all domestic, industrial, or communal wastes whether in fluid,

solid, or composite state (other than solid waste, as defined in Chapter 15-6 of the City Code); and

- (3) gather, conduct, divert, and control local storm water or other local harmful excesses of water in the District;
- (b) to pay expenses authorized by Section 49.155, Texas Water Code, as amended;
- (c) to develop and maintain Parks and Recreational Facilities as authorized by Subchapter N of Chapter 49 (Sections 49.461, et seq.), Texas Water Code, as amended;
- (d) to pay its prorata share of the cost of any Shared Facilities;
- (e) in accordance with the Enabling Legislation, to design, acquire, construct, and finance Road Improvements; and
- (f) to finance any fire protection plan approved in accordance with Section 49.351, Texas Water Code, and this Agreement.

The District must issue its Bonds for the purpose of financing reimbursable expenses under Section 49.155, Texas Water Code, and the cost of purchasing, acquiring or constructing water, wastewater, and drainage facilities, interests in facilities, and/or contract rights prior to or simultaneously with issuance of Bonds for any other purpose. The City agrees that the District may issue its Bonds to finance, pay or reimburse 100% all costs and expenses that it is authorized to finance, pay or reimburse under applicable rules of the Commission, and any conflicting, inconsistent or limiting provisions of Ordinance No. 810819-E, other City ordinances, or any other Applicable Rules are hereby waived.

Section 10.04 Maximum Amount of New Money Bonds. The District agrees that the total amount of new money Bonds that may be issued by the District for capital improvements may not exceed \$_____ without City Council approval. This maximum will be exclusive of the principal amount of any refunding Bonds or Bonds issued to finance any fire plan approved by the District as contemplated by Section 5.06.

Section 10.05 Timing of Issuance; Amortization Period; Maturities. The District proposes to issue Bonds substantially in accordance with the finance plan attached as **Exhibit Q**. In order to provide the City with some assurance as to the timing of the District's issuance and retirement of its debt, the District will use good faith efforts, subject to market conditions and sufficient tax base existing, to sell its last issue of Bonds on or before the date set forth in **Exhibit Q**. If the District fails or is unable to do so, the City will have the authority to revoke the District's authority to issue its remaining authorized but unissued Bonds on that date. **NOTE: City Staff and Developer have not agreed on a final bond issuance schedule.** All Bonds must be amortized over a period that does not exceed 25 years from the date of issuance, each issue of Bonds must be structured so that substantially level debt service requirements will be maintained throughout the amortization period of the issue, and each Bond issue must include an optional redemption date no later than 10 years after the date of issuance. These requirements may only be modified if the modification is approved in writing by the Finance Director following receipt of a written application from the District, setting forth the justification for the requested modification. The Finance Director will have no obligation to approve any such application.

Section 10.06 Notification for Bond Reviews. The District agrees to include, in each application for the approval of the issuance of Bonds, the terms and conditions of this Agreement related to bond issuance. The Developer and the District each agree that it will not request reimbursement or authorization to reimburse any expenses not authorized by this Agreement.

Section 10.07 Notice to City. The District agrees to give notice to the City of its intention to issue Bonds by filing the information described in this Section with the Finance Director.

Section 10.08 Bonds Requiring Commission Approval. The District must give written notice to the Finance Director at the time the District submits any application to the Commission for approval of the issuance of Bonds.

Section 10.09 Refunding Bonds. In connection with: (a) an advance refunding which (i) has a final maturity no longer than the final maturity on the obligations refunded, (ii) will achieve a net present value savings in an amount consistent with the City's financial policies for City refundings, and (iii) has savings that are substantially or fairly uniform over each maturity being refunded; or (b) a current refunding which (i) has a final maturity no longer than the final maturity on the refunded obligations, (ii) will achieve a net present value savings, and (iii) has savings that are substantially or fairly uniform over each maturity of obligations being refunded, no prior notice to or City review or approval will be required; however, the District must deliver a certificate from its financial advisor that demonstrates that the proposed refunding will comply with this Section at least three business days before execution of the purchase agreement for the refunding and must deliver evidence of its compliance with the requirements of this Section to the City within three business days after the execution of the purchase agreement for the refunding.

Section 10.10 City Review and Approval. Upon Commission approval of any issuance of Bonds, the District must submit a copy of its application to the Commission, including the engineering report and projected debt service schedule; a copy of the Commission order approving the issuance of the Bonds; and any other information reasonably required by the PDRD Director to the City for review. The City's approval of any District Bond issue will not be unreasonably withheld, conditioned or delayed. The City will have the right to disapprove any proposed Bond issue only if the District or the Developer is not in compliance with any material term of this Agreement or the SPA. The District may be required to provide evidence of compliance with this Section 10.10 at the time of the sale of its Bonds; therefore, the City agrees that the PDRD Director will be authorized to and will provide written confirmation of City approval to the District promptly upon the District's request.

Section 10.11 Other Funds. The District may use funds obtained from any available, lawful source to acquire, own, operate, and maintain its facilities, as well as to accomplish any purpose or to exercise any function, act, power, or right authorized by law and not prohibited by this Agreement. Such funds may include revenues from any of the systems, facilities, properties, and assets of the District that are not otherwise committed for the payment of indebtedness of the District; maintenance taxes; loans, gifts, grants, and donations from public or private sources; and revenues from any other lawfully available source.

Section 10.12 Expenses Not Eligible for Reimbursement. A District Bond issue may include not more than two years of capitalized interest. Proceeds from a District Bond issue may not be used to reimburse a developer for more than two years of developer interest or land costs for the following:

(a) Easements for water and wastewater facilities within the boundary of the District that are granted to the City;

(b) Sites for lift stations, pump stations, and other above-ground water and wastewater infrastructure located within the boundary of the District that are conveyed to the City, except for sites for Major Water and Wastewater Facilities that are eligible for reimbursement under the rules of the Commission; and

(c) Sites for fire and emergency services stations, and library buildings.

Section 10.13 District Debt Service Tax. The District agrees to levy a tax to pay debt service on the District's Bonds in accordance with the terms of each resolution or order approving the issuance of its Bonds in each year while such Bonds are outstanding until the full purpose annexation of the District. All debt service tax revenues will be maintained in a separate account or accounts from the District's general operating funds. The District will require that its bookkeeper provide an accounting allocation of the debt service fund among the various categories of bonded facilities in order to simplify the City's internal allocation of the debt service fund following the full purpose annexation of the District and transfer of the fund to the City.

Section 10.14 Assumption of the District's Outstanding Obligations, Liabilities, and Assets Upon Full Purpose Annexation. Upon the City's full purpose annexation of the District, the District's outstanding obligations, indebtedness, other liabilities, and assets will be transferred and assumed as provided in the SPA.

Section 10.15 Reimbursement Agreements; Payment to Developer Following Full Purpose Annexation. The District agrees that all Reimbursement Agreements that it enters into with any developer within the District will include the following provision relating to any sums payable by the City upon full purpose annexation of the District under Section 43.0715, Texas Local Government Code:

If, at the time of full purpose annexation of the District, the developer has completed the construction of or financed any facilities or undivided interests in facilities on behalf of the District in accordance with the terms of this agreement, but the District has not issued Bonds to reimburse the developer for the cost of the facilities or undivided interests in facilities, the developer agrees that it will convey the facilities or undivided interests in question to the City, free and clear of any liens, claims or encumbrances, subject to the developer's right to reimbursement under Section 43.0715, Texas Local Government Code, modified as provided in this section. The developer agrees that the amount payable by the City will be determined based on costs and expenses that are eligible for reimbursement under Commission rules, without any waivers or variances, but will be payable to the developer in three equal annual installments, with the first payment being made within 30 days of the date of the City's full purpose annexation.

ARTICLE XI.
TERM, EFFECTIVENESS; ASSIGNMENT AND REMEDIES

Section 11.01 Term. The term of this Agreement will commence on the Effective Date and will end upon the City's full purpose annexation of the entire District, which will occur as provided in the SPA, unless this Agreement is sooner terminated under the provisions hereof.

Section 11.02 Effectiveness. The District acknowledges that this Agreement relates to the City's consent to the creation of the District and, as provided in the Enabling Legislation, the provisions of this Agreement are valid and enforceable.

Section 11.03 Termination and Amendment by Agreement. This Agreement may be terminated or amended as to all of the Land at any time by mutual written agreement of the City, the Developer and, after its creation, the District, or may be terminated or amended only as to a portion of the Land by the mutual written agreement of the City, the owners of a majority of the portion of the Land affected by the amendment or termination and, after its creation, the District. At such time as the Developer no longer owns land within the District, this Agreement may be amended by mutual written agreement of the District and the City, and the joinder of the Developer will not be required.

Section 11.04 Agreement Running with the Land; Assignment.

(a) The terms of this Agreement run with the Land and will be binding upon the Developer and its successors and assigns. This Agreement, and the rights of the Developer hereunder, may be assigned by the Developer to a purchaser of all or a portion of the Land. Any assignment must be in writing, specifically set forth the assigned rights and obligations without modification, hypothecation, or amendment, and be executed by the proposed assignee and a copy of the assignment must be provided to the City.

(b) If the Developer assigns its rights and obligations hereunder as to a portion of the Land, then the rights and obligations of any assignee and the Developer will be severable, and the Developer will not be liable for the nonperformance of the assignee and vice versa. In the case of nonperformance by one developer, the City may pursue all remedies against that nonperforming developer, but will not impede development activities of any performing developer as a result of that nonperformance.

(c) This Agreement is not intended to and will not be binding upon, or create any encumbrance to title as to, any ultimate consumer who purchases a fully developed and improved lot within the Land.

Section 11.05 Cooperation; Agreement Not to Contest or Support Negative Legislation.

(a) The City, the District, and the Developer each agree to execute such further documents or instruments as may be necessary to evidence their agreements hereunder and provide to the other parties any other documents necessary to effectuate the terms of this Agreement.

(b) The City agrees to cooperate with the Developer in connection with any waivers or approvals the Developer may desire from Travis County in order to avoid the duplication of processes or services in connection with the development of the Land.

(c) Neither the Developer nor the District will engage in any litigation or legislative processes to challenge the terms of this Agreement, or to resolve any disputes related to the annexation process established by this Agreement or any related service plan. If any future legislation would have the effect of prohibiting the annexation of the District or requiring further approval of the District's residents to the annexation of the District as contemplated by this Agreement, it is the intent of the parties that annexation of the District be governed by the provisions of this Agreement notwithstanding such legislation. Neither the Developer nor District will seek or support legislation to incorporate all or any part of the District as a municipality. Neither the Developer nor the District will contest any efforts of the City to assure that future legislation does not prohibit or impose additional requirements on the City's right and ability to annex the District in accordance with this Agreement.

(d) In the event of any third party lawsuit or other claim relating to the validity of this Agreement or any actions taken hereunder, the Developer, the District, and the City agree to cooperate in the defense of such suit or claim, and to use their respective best efforts to resolve the suit or claim without diminution of their respective rights and obligations under this Agreement.

Section 11.06 Default and Remedies.

(a) **Notice of Default; Opportunity to Cure.** If a party defaults in the performance of any obligation under this Agreement, the nondefaulting party may give written notice to the other parties to this Agreement, specifying the alleged event of default and extending to the defaulting party 30 days from the date of the notice in order to cure the default complained of or, if the curative action cannot reasonably be completed within 30 days, 30 days to commence the curative action and a reasonable additional period to diligently pursue the curative action to completion.

(b) **Dispute Resolution.** If any default is not cured within the curative period specified above, the parties agree to use good faith, reasonable efforts to resolve any dispute among them by agreement, including engaging in mediation or other non-binding alternative dispute resolution methods, before initiating any lawsuit to enforce their respective rights under this Agreement. The parties will share the costs of any mediation or arbitration equally. The parties further agree that the City is not obligated to resolve any dispute based on an arbitration decision under this Agreement if the arbitration decision compromises the City's sovereign immunity.

(c) **Other Legal or Equitable Remedies.** If the parties are unable to resolve their dispute through mediation or arbitration, the nondefaulting party will have the right to enforce the terms and provisions of this Agreement by a suit seeking specific performance or such other legal or equitable relief as to which the nondefaulting party may be entitled. Any remedy or relief described in this Agreement will be cumulative of, and in addition to, any other remedies and relief available to such party. The parties acknowledge that the City's remedies will include the right, in the City's sole discretion, to terminate this Agreement and proceed with full purpose annexation of the District. No additional procedural or substantive requirements of State or local annexation law will apply to such annexation, or to the annexation ordinance.

(d) **Waiver of District Sovereign Immunity upon Issuance of Bonds.** In accordance with the Enabling Legislation, upon the issuance of Bonds by the District, the District waives sovereign immunity to suit by the City for purposes of adjudicating a claim by the City for the District's breach of this Agreement.

Section 11.07 Notices to Purchasers. In addition to the notice to purchasers required by Section 49.452, Texas Water Code, the District will promulgate and record in the Official Public Records of Travis County, Texas, and the Restrictive Covenants will require that each seller of land within the District provide to each purchaser of land within the District, a supplemental "plain speak" notice in the form attached as **Exhibit R**, which summarizes and gives notice of certain terms of this Agreement. This notice, with appropriate modifications, will also be included in the notice to purchasers included in the District's Information Form required to be recorded in the Official Public Records of Travis County, Texas, pursuant to Section 49.455 of the Texas Water Code, as amended from time to time.

Section 11.08 Dissolution of the District. If the District is dissolved without the prior written approval of the City, this Agreement will automatically terminate and the City will have the right to annex all of the territory within the District for full purposes without restriction. No additional procedural or substantive requirements of State or local annexation law will apply to such annexation and dissolution, or to the annexation and dissolution ordinance. If the District is dissolved, the City, as the successor to the District, will have the authority to execute any documents and to do any and all acts or things necessary to transfer the District's assets, obligations, indebtedness, and liabilities to the City.

ARTICLE XII. MISCELLANEOUS PROVISIONS

Section 12.01 Notice. Any notice given under this Agreement must be in writing and may be given: (i) by depositing it in the United States mail, certified, with return receipt requested, addressed to the party to be notified and with all charges prepaid; or (ii) by depositing it with Federal Express or another service guaranteeing "next day delivery", addressed to the party to be notified and with all charges prepaid; (iii) by personally delivering it to the party, or any agent of the party listed in this Agreement; or (iv) by facsimile or email with confirming copy sent by one of the other described methods of notice set forth above. Notice by United States mail will be effective on the earlier of the date of receipt or three days after the date of mailing. Notice given in any other manner will be effective only when received. For purposes of notice, the addresses of the parties will, until changed as provided below, be as follows:

The City:	City of Austin P.O. Box 1088 Austin, Texas 78767-1088 Attn: City Manager
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With Required Copy to:	City of Austin P.O. Box 1088 Austin, Texas 78767-1088 Attn: City Attorney
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The Developer:	Carma Easton LLC 9737 Great Hills Trail, Suite 260 Austin, Texas 78759 Attn: Shaun E. Cranston, P.Eng.
With Required Copy to:	Brookfield Residential Properties, Inc. Attn: Secretary 4906 Richard Road SW Calgary, Alberta T3E 6L1 Canada
With Required Copy to:	E. Scott Lineberry DuBois, Bryant & Campbell, LLP 700 Lavaca, Suite 1300 Austin, Texas 78701
With Required Copy to:	Richard Suttle Armbrust & Brown, PLLC 100 Congress Avenue, Suite 1300 Austin, Texas 78701
The District:	Pilot Knob Municipal Utility District No. 2 c/o Armbrust & Brown, PLLC Attn: Sue Brooks Littlefield 100 Congress Ave., Ste. 1300 Austin, Texas 78701

Each of the parties may change its respective address to any other address within the United States of America by giving at least five days' written notice to the other parties. The Developer may, by giving at least five days' written notice to the City, designate additional parties to receive copies of notices under this Agreement. At such time as the Developer no longer owns land within the District, no further notice to the Developer under this Agreement will be required.

Section 12.02 Severability. If any part of this Agreement or its application to any person or circumstance is held by a court of competent jurisdiction to be invalid or unconstitutional for any reason, the parties agree that they will amend or revise this Agreement to accomplish to the greatest degree practical the same purpose as the part determined to be invalid or unconstitutional, including, without limitation, amendments or revisions to the terms and conditions of this Agreement pertaining to or affecting the rights and authority of the parties in areas of the District annexed by the City pursuant to this Agreement, whether for limited or full purposes. If the parties cannot agree on any such amendment or revision within 90 days of the final judgment of the trial court or any state appellate court that reviews the matter, then either party may proceed in accordance with the procedures specified in this Agreement.

Section 12.03 Frustration of Purpose. If any part of this Agreement is modified as a result of amendments to the underlying State law and statutory authority for this Agreement, the parties agree that such modification may frustrate the purpose of this Agreement. The parties agree that, in such event, they will attempt to amend or revise this Agreement to accomplish to the greatest degree practical (i) the same purpose and objective of the part of this Agreement affected by the modification of the underlying State law and statutory authority and (ii) the original intent and purpose of this Agreement. If the parties cannot agree

on any such amendment or revision within 90 days from the effective date of amendment of the State law and statutory authority for this Agreement, then this Agreement will terminate, unless the parties agree to an extension of time for negotiation of the modification.

If this Agreement is to be terminated as a result of the operation of this Section, the City will have the right, for a 90 day period prior to the effective date of termination, in its sole discretion, to annex the District for full purposes and dissolve the District. No additional procedural or substantive requirements of State or local annexation law will apply to such annexation and dissolution, or to the annexation and dissolution ordinance.

Section 12.04 Non-Waiver. Any failure by a party to insist upon strict performance by another party of any material provision of this Agreement will not be deemed a waiver thereof or of any other provision, and such party may at any time thereafter insist upon strict performance of any and all of the provisions of this Agreement.

Section 12.05 Applicable Law and Venue. The interpretation, performance, enforcement and validity of this Agreement is governed by the laws of the State of Texas. Venue will be in a court of appropriate jurisdiction in Travis County, Texas.

Section 12.06 Entire Agreement. This Agreement contains the entire agreement of the parties. There are no other agreements or promises, oral or written, between the parties regarding the subject matter of this Agreement. This Agreement supersedes all other agreements between the parties concerning the subject matter.

Section 12.07 Exhibits, Headings, Construction and Counterparts. All schedules and exhibits referred to in or attached to this Agreement are incorporated into and made a part of this Agreement for all purposes. The paragraph headings contained in this Agreement are for convenience only and do not enlarge or limit the scope or meaning of the paragraphs. Wherever appropriate, words of the masculine gender include the feminine or neuter, and the singular includes the plural, and vice-versa. The parties acknowledge that each of them have been actively and equally involved in the negotiation and drafting of this Agreement. Accordingly, the rule of construction that any ambiguities are to be resolved against the drafting party will not be employed in interpreting this Agreement or any exhibits hereto. If there is any conflict or inconsistency between the provisions of this Agreement and any otherwise applicable City ordinances, the terms of this Agreement will control. This Agreement may be executed in any number of counterparts, each of which will be deemed to be an original, and all of which will together constitute the same instrument.

Section 12.08 Time. Time is of the essence of this Agreement. In computing the number of days for purposes of this Agreement, all days will be counted, including Saturdays, Sundays and legal holidays; however, if the final day of any time period falls on a Saturday, Sunday or legal holiday, then the final day will be deemed to be the next day that is not a Saturday, Sunday or legal holiday.

Section 12.09 Authority for Execution. The City certifies, represents, and warrants that the execution of this Agreement has been duly authorized in conformity with its City Charter and City ordinances. The Developer certifies, represents, and warrants that the execution of this Agreement has been duly authorized in conformity with the articles of incorporation and bylaws or partnership agreement of each entity executing on its behalf. The District certifies, represents and warrants that this Agreement has been duly authorized in conformity with all applicable laws and regulations.

Section 12.10 Exhibits. The following exhibits are attached to this Agreement, and made a part hereof for all purposes:

Exhibit A	-	The Land
Exhibit B	-	Land Plan
Exhibit C	-	Project Area
Exhibit D	-	Post-Annexation Surcharge Formula
Exhibit E	-	Civic Uses and Civic Reserve
Exhibit F	-	Stormwater, Drainage, Water Quality and Environmental Protection Requirements
Exhibit F-1	-	Typical Modified Channel Cross-section
Exhibit F-2	-	Waterway Setback scenario
Exhibit G	-	Tree and Landscaping Requirements
Exhibit H -	-	Terms of Proposed Fire Protection Plan
Exhibit I	-	Transportation Requirements
Exhibit J	-	Building and Urban Design Standards
Exhibit K	-	Art in Public Places Participation
Exhibit L	-	Affordable Housing Participation
Exhibit M	-	Conceptual Water and Wastewater Plan
Exhibit M-1	-	Conceptual Major Water Facilities
Exhibit M-2	-	Conceptual Major Wastewater Facilities
Exhibit M-3	-	Lift Station Conceptual Plan
Exhibit M-4	-	Conceptual Easement Locations
Exhibit N	-	Terms of Cost Reimbursement and Participation
Exhibit O	-	Form of Covenant Requiring Dedication of Easements
Exhibit P	-	Park and Open Space Requirements
Exhibit Q	-	Finance Plan
Exhibit R	-	"Plain Speak" Notice Form

IN WITNESS WHEREOF, the undersigned parties have executed this Agreement on the dates indicated below.

CITY:

CITY OF AUSTIN, TEXAS

By:_____

Name:_____

Title: City Manager

Date:_____

APPROVED AS TO FORM:

By:_____

Name:_____

Title: Assistant City Attorney

Date:_____

DEVELOPER:

CARMA EASTON LLC, a Texas limited liability company

By: _____

Name: Shaun E. Cranston, P.Eng.

Title: Vice President

Date: _____

DISTRICT:

**PILOT KNOB MUNICIPAL UTILITY
DISTRICT NO. 2**

By: _____

Name: _____

Title: President, Board of Directors

Date: _____

ATTEST:

By: _____

Name: _____

Title: Secretary, Board of Directors

Date: _____