



Control Number 45656



Item Number 20

Addendum StartPage 0

DOCKET NO. 45656

RECEIVED

APPLICATION OF AQUA TEXAS, INC. §
AND MONTGOMERY COUNTY §
MUNICIPAL UTILITY DISTRICT §
NO. 126 FOR SALE, TRANSFER, OR §
MERGER OF FACILITIES AND §
CERTIFICATE RIGHTS IN §
MONTGOMERY COUNTY §

BEFORE THE PUBLIC UTILITY

2016 AUG 22 PM 2:22
PUBLIC UTILITY COMMISSION
FILING CLERK

COMMISSION OF TEXAS

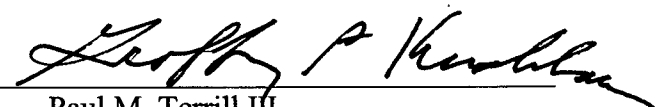
APPLICANTS' RESPONSE TO STAFF'S SECOND REQUEST FOR INFORMATION

To: Public Utility Commission of Texas Staff, by and through their attorney of record, Jessica L. Morgan, Public Utility Commission of Texas, 1701 N. Congress Avenue, P.O. Box 13326, Austin, Texas 78711-3326.

Montgomery County Municipal Utility District 126 ("MCMUD 126") and Aqua Texas, Inc. ("Aqua Texas") provide this response to PUC Staff's Second Request for Information to Aqua Texas and MCMUD 126. Applicants stipulate that the following response to request for information may be treated by all parties as if the answer was filed under oath.

Respectfully submitted,

TERRILL & WALDROP


By: 

Paul M. Terrill III
State Bar No. 00785094
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State Bar No. 24029665
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**ATTORNEYS FOR AQUA TEXAS, INC. D/B/A
AQUA TEXAS**

CERTIFICATE OF SERVICE

I certify that a copy of this document will be served on all parties of record on August 22, 2016 in accordance with P.U.C. Procedural Rule 22.74.



Geoffrey P. Kirshbaum

RESPONSE TO REQUEST FOR INFORMATION

Staff 2-1 Please provide a business plan documenting all expenses that will be incurred by Montgomery County Municipal Utility District (MUD) No. 126 in order to serve the requested area.

RESPONSE:

Please see AT-MCMUD 126 000116 to 000318.

Prepared and Sponsored by: Abraham Rubinsky
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd. Suite 1400
Houston, Texas 77056
Phone: (713) 623-4531
Fax: (713) 623-6143

Staff 2-2 Please provide a letter from Montgomery County Municipal Utility District (MUD) No. 126's financial advisor indicating that the district is able to issue debt (bonds) in an amount sufficient to cover capital requirements to provide continuous and adequate service for the area requested.

RESPONSE:

Please see AT-MCMUD 126 000115.

Prepared and Sponsored by: Abraham Rubinsky
Schwartz, Page & Harding, L.L.P.
1300 Post Oak Blvd. Suite 1400
Houston, Texas 77056
Phone: (713) 623-4531
Fax: (713) 623-6143



Anthea W. Moran
Managing Director

August 18, 2016

Ms. Jessica Morgan
Public Utility Commission of Texas
Legal Division
1701 N. Congress Avenue
Austin, Texas 78701-3326

Dear Ms. Morgan:

This letter is written in response to your request for information under Docket No. 45656, Commission Staff's Second Request for Information, Question No. Staff 2-2 in connection with Application of Aqua Texas, Inc. and Montgomery County Municipal Utility District No. 126 ("MUD 126") for Approval of Service Agreement Designating Service Area and Certificate Rights and to Decertify Certain Areas in Montgomery County.

Based on the estimated construction costs to provide adequate water, wastewater and drainage facilities to the District in the amount of \$16,444,510 and total bond issuance amount of \$24,375,000 (provided by the District engineer) and assuming a bond interest rate of 6% and 25 years of level debt service, the average annual debt service requirement would be approximately \$1,906,776. Assuming a 95% collection rate and an ultimate taxable assessed valuation of \$235,030,000 (provided by the developer of land in the District), a tax rate of \$0.85 per \$100 assessed valuation would be necessary to meet the annual debt service requirements. Currently, the District is levying a \$0.90 total tax rate and has average tax collections of 99.99%. Based on these facts, the District is able to issue debt (bonds) in an amount sufficient to cover capital requirements to provide continuous and adequate water, sewer and drainage service for the land within MUD 126.

Sincerely yours,

Anthea W. Moran
Managing Director

Montgomery County Municipal Utility District No. 126 (the "District") was created by order of the Texas Commission on Environmental Quality (the "TCEQ") dated November 20, 2008. The District is a municipal utility district created under Article XVI, Section 59 of the Texas Constitution and operates under the provisions of Chapters 49 and 54 of the Texas Water Code, as amended, and other general statutes of Texas applicable to municipal utility districts. The District is subject to the continuing supervisory jurisdiction of the TCEQ.

A copy of the Order Granting the Petition for Creation of Montgomery County Municipal Utility District No. 126 and Appointing Temporary Directors (the "Order") is attached hereto as **Exhibit A**.

The District is a public utility which was created, organized, and exists for the purposes of, among others, furnishing water, wastewater, and drainage services to public consumers and land within its boundaries. The District is empowered, among other things, to finance, purchase, construct, operate, and maintain all works, improvements, facilities and plants necessary for the supply and distribution of water and the collection, transportation and treatment of wastewater within all parts of the District.¹

A total of \$41,320,000 in principal amount of unlimited tax bonds has been authorized by the District's voters for the purpose of financing water, wastewater, and drainage facilities. The District has the right to issue obligations other than these bonds, including tax anticipation notes and bond anticipation notes, and to borrow for any valid corporate purpose.

The Order includes as an exhibit the Technical Memorandum from the TCEQ Districts Review Team. This Technical Memorandum describes the proposed District and provides a reviewed estimate of costs for, among other things, water, wastewater, and drainage facilities in the District. This summary of costs anticipates all expenses that will be incurred by the District in order to issue bonds to cover the water, wastewater, and drainage facilities built within the District. The total projected bond issue requirement for water, wastewater, and drainage is \$24,375,000. The Technical Memorandum also includes an economic analysis projecting the total assessed valuation of the District at completion will be \$235,030,000. The Technical Memorandum goes on to explain, using these figures, that a debt tax rate comparable to other water districts in the area would be sufficient to pay the debt and, therefore, the project is considered economically feasible based on the requirements of 30 TAC Section 293.59.

The District has entered into a Utility Development Agreement (the "Utility Development Agreement") with the developer of land within the District, D.R. Horton – Texas, Ltd. ("DRH"). In this Utility Development Agreement, DRH confirms its intent to develop the land within the District and acknowledges that the public consumers within the District will require water,

¹ The District's planned service area includes all of the land within the boundaries of the District. Therefore, the District's planned service area already includes the service area covered by the Certificates of Convenience and Necessity proposed to be transferred from Aqua Texas, Inc. to the District. Accordingly, if the proposed transfer is approved, no expansion will be necessary as a result of the transfer.

wastewater, and drainage services from the District in order for development to occur. The District acknowledges that it is empowered to sell bonds to purchase the goods and pay for the services necessary to construct the necessary water, wastewater, and drainage services to serve the District. The Utility Development Agreement provides that such facilities be provided prior to the sale of bonds to pay therefor, in order to make the bonds saleable upon better terms and to permit the District to meet the debt service requirements on the bonds. DRH agrees to purchase the goods and proceed with construction of such facilities prior to the sale of the bonds by the District and is willing to provide, purchase, and/or arrange for the necessary services, personnel, goods, equipment and administration to design, construct, supervise, inspect, and finance those facilities or portions thereof, in return for the District's agreement to pay DRH from the future sale of bonds.

The District operates pursuant to a Utility Services and Development Agreement between the City of Conroe and David B. Hendricks and Houston Intercontinental Trade Center, L.P. on behalf of the proposed District, dated as of March 13, 2008, as assigned to the District on March 30, 2011, and supplemented on November 8, 2012 (collectively, the "Utility Agreement"). A copy of the Utility Agreement, as assigned and supplemented, is attached hereto as **Exhibit B**.

In the Utility Agreement, the City agreed to extend water distribution and wastewater collection lines to the District's boundary and provide sufficient water supply and wastewater treatment plant capacity to serve the District at full development and the District assumed responsibility for acquiring and constructing the water distribution, wastewater collection, and drainage facilities to serve development occurring within the boundaries of the District. The City agreed to provide the District with its ultimate requirements for water supply capacity as needed and when required by the District without capital charges of any kind. The City represented that it has sufficient capacity in its wastewater treatment plant to serve the development of the District as needed and when required by the District and that it shall provide these services to the District when needed. The City agreed to make any necessary improvements to its wastewater treatment plant, at no cost to the District, if at any time it does not have sufficient capacity to serve the development in the District.

The District began its current fiscal year on August 1, 2016. In July of each year, the District's Board of Directors reviews and votes on a proposed operating budget for the coming fiscal year in order to prepare for all foreseeable costs of running the District during that timeframe. The District's operating budget for the fiscal year beginning August 1, 2016 and ending July 31, 2017 is attached hereto as **Exhibit C**.

For additional information concerning the District's past financial information, the District's Annual Financial Report for the fiscal year ended July 31, 2015, is attached as **Exhibit D**.

EXHIBIT A

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY



THE STATE OF TEXAS
COUNTY OF TARRANT

I hereby certify that this is a true and correct copy of a
Texas Commission on Environmental Quality document,
which is filed in the permanent records of the Commission.
Given under my hand and the seal of office on

LaDonna Castenue DEC 02 2008

LaDonna Castenue, Chief Clerk
Texas Commission on Environmental Quality

AN ORDER GRANTING THE PETITION FOR CREATION OF
MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126
AND APPOINTING TEMPORARY DIRECTORS

A petition by David B. Hendricks and Houston Intercontinental Trade Center, L.P. (hereafter 'Petitioners') was presented to the Executive Director of the Texas Commission on Environmental Quality (hereafter 'Commission') for consideration of approval of the creation of Montgomery County Municipal Utility District No. 126 (hereafter 'District') pursuant to Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapters 49 and 54.

The Commission, after having considered the petition, application material, and memorandum from the Executive Director dated November 4, 2008 (hereafter "Memorandum"), attached as Exhibit 'B', finds that the petition for creation should be approved.

The Commission finds that the creation of the proposed District as set out in the application is feasible, practicable, and necessary, and would be a benefit to the land to be included in the proposed District.

The Commission further finds that the proposed District and its system and subsequent development within the proposed District will not have an unreasonable effect on land elevation, subsidence, groundwater level within the region, recharge capability of a groundwater source, natural runoff rates and drainage, water quality, or total tax assessments on all land located within the proposed District.

All of the land and property proposed may properly be included within the proposed District.

All statutory and regulatory requirements for creation of Montgomery County Municipal Utility District No. 126 have been fulfilled in accordance with TEX. WATER CODE § 54.021 and 30 TEX. ADMIN. CODE §§ 293.11–293.12.

NOW, THEREFORE, BE IT ORDERED BY THE TEXAS COMMISSION ON
ENVIRONMENTAL QUALITY THAT

1. The petition for the creation of Montgomery County Municipal Utility District No. 126 is hereby granted.

2. The District is created under the terms and conditions of Article XVI, Section 59 of the TEXAS CONSTITUTION and TEX. WATER CODE Chapter 54.

3. The District shall have, and shall be subject to, all of the rights, duties, powers, privileges, authority, and functions conferred and imposed by the Commission and the general laws of the State of Texas relating to municipal utility districts, including road powers under TEX. WATER CODE § 54.234, subject to the requirements of the Commission and general laws of the State of Texas relating to the exercise of such powers.

4. The District shall be composed of the area situated wholly within Montgomery County, Texas, described by metes and bounds in Exhibit 'A' attached hereto and incorporated herein for all purposes.

5. The Memorandum dated November 4, 2008, attached as Exhibit 'B', is hereby incorporated as part of this Order.

6. The persons listed in Recommendation No. 4 of the Memorandum are hereby named and appointed as temporary directors and shall, as soon as practicable after the date of entry of this Order, execute their official bonds and take their official oaths of office. All such bonds shall be approved by the Board of Directors of the District, and each bond and oath shall be filed with the District and retained in its records.

7. This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

8. The Order shall not constitute approval or recognition of the validity of any provision in City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, nor any other ordinance/resolution incorporated therein by reference to the extent that such provision exceeds the authority granted to the City of Conroe by the laws of the State of Texas.

9. The Chief Clerk of the Commission shall forward a copy of this Order to all affected persons.

10. If any provision, sentence, clause, or phrase of this Order is for any reason held to be invalid, the invalidity of any portion shall not affect the validity of the remaining portions of the Order.

Issue Date: **NOV 20 2008**

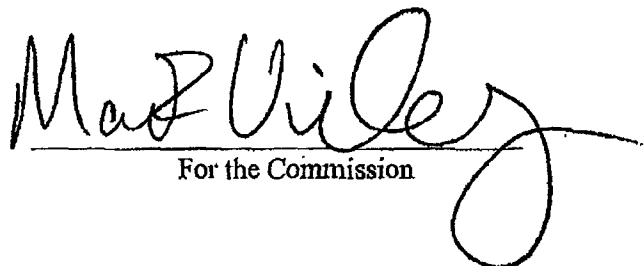

For the Commission

Exhibit A

METES AND BOUNDS DESCRIPTION
293.49 ACRES IN THE
JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.49-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 175.1768-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006101070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006062071, ALL OF THAT CALLED 33.861-ACRE TRACT, CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007009290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112578 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.49-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS;

BEGINNING at a 5/8-Inch Iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet J, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet I, Sheets 59 thru 65 of the Montgomery County Map Records, and continuing in all 1255.98 feet to a 5/8-Inch Iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'18" West, 1616.63 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-Inch Iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 17°56'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-Inch Iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following fifty (50) courses and distances:

- (4) South 87°23'59" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°18'55" East, 36.65 feet to a point;

- (11) South 23°02'23" East, 43.48 feet to a point;
- (12) South 32°41'37" East, 41.56 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 89°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.54 feet to a point;
- (20) North 15°23'27" East, 43.59 feet to a point;
- (21) North 11°14'01" East, 40.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.79 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 26.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 35.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 50°39'40" East, 31.93 feet to a point;
- (35) South 81°19'12" East, 21.88 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 15°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.78 feet to a point;

- (43) North 47°31'18" West, 36.54 feet to a point;
- (44) North 51°00'12" West, 60.46 feet to a point;
- (45) North 54°27'30" West, 53.57 feet to a point;
- (46) North 50°14'59" West, 43.08 feet to a point;
- (47) North 50°50'55" West, 63.18 feet to a point;
- (48) North 45°44'33" West, 53.02 feet to a point;
- (49) North 17°44'30" West, 55.91 feet to a point;
- (50) North 04°00'03" West, 43.57 feet to a point;
- (51) North 16°15'40" West, 51.84 feet to a point;
- (52) North 15°27'23" West, 69.20 feet to a point;
- (53) North 09°53'22" East, 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
- (54) THENCE South 81°28'22" East, at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set for reference, and continuing in all 840.61 feet to a 5/8-inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
- (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
- (57) North 85°18'39" East, 109.76 feet to a point;
- (58) South 87°41'11" East, 41.82 feet to a point;
- (59) South 89°57'21" East, 52.34 feet to a point;
- (60) South 83°58'25" East, 51.16 feet to a point;
- (61) South 87°20'06" East, 50.00 feet to a point;
- (62) North 85°40'28" East, 43.06 feet to a point;
- (63) North 89°02'07" East, 48.48 feet to a point;
- (64) South 89°59'11" East, 15.57 feet to a point;
- (65) North 67°32'38" East, 22.66 feet to a point;
- (66) North 02°29'35" East, 28.08 feet to a point;
- (67) North 00°13'32" East, 29.04 feet to a point;
- (68) North 67°35'40" West, 30.47 feet to a point;
- (69) North 74°43'23" West, 56.56 feet to a point;
- (70) North 75°25'23" West, 45.28 feet to a point;
- (71) South 86°37'31" West, 74.43 feet to a point;

- (72) North 69°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.92 feet to a point;
- (74) North 86°09'04" West, 59.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.48 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'22" East, 229.43 feet along the east line of said Calfee Road to a 1/2-inch iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;
- THENCE in a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:
- (78) North 21°10'57" East, 89.92 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-inch iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2-inch iron rod with cap stamped "Jeff Moon RPLS 4539" found for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 76°39'07" East, at 98.85 feet passing a PK Nail found for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod found;
- (82) THENCE South 77°19'32" East, 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9309572 of the Official Public Records of Real Property;
- (83) THENCE South 12°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-inch iron rod found, and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, and Longmire Way, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-inch iron found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-inch iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;

- (86) THENCE North $77^{\circ}53'49''$ West, 2280.36 feet, along the common line of said 37.564-acre tract and said 26.5516-acre tract, to a 1/2-inch iron rod found for the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;
- (87) THENCE South $11^{\circ}58'58''$ West, 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 3/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 92B, 93A, 93B, and 94A of the Montgomery County Map Records;
- (88) THENCE South $11^{\circ}12'47''$ West, 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being on the arc of a non-tangent curve to the right;
- THENCE in a westerly direction, along the north line of said Longmire Way, the following six (6) courses and distances:
- (89) Along the arc of said curve to the right having a radius of 1990.56 feet, a central angle of $05^{\circ}37'51''$, an arc length of 195.63 feet, and a chord bearing North $74^{\circ}33'58''$ West, 195.55 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (90) Along the arc of said curve to the left having a radius of 824.29 feet, a central angle of $14^{\circ}21'06''$, an arc length of 206.47 feet, and a chord bearing North $78^{\circ}55'35''$ West, 205.93 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (91) Along the arc of said curve to the right having a radius of 1499.91 feet, a central angle of $07^{\circ}28'46''$, an arc length of 195.80 feet, and a chord bearing North $82^{\circ}21'44''$ West, 195.66 feet to a 5/8-inch iron rod found;
- (92) North $78^{\circ}37'21''$ West, 386.86 feet to a 1/2-inch iron rod found at the beginning of a curve to the left;
- (93) Along the arc of said curve to the left having a radius of 2711.89 feet, a central angle of $04^{\circ}16'15''$, an arc length of 202.14 feet, and a chord bearing North $80^{\circ}45'28''$ West, 202.09 feet to a 1/2-inch iron rod found at a point of reverse curvature;
- (94) Along the arc of said curve to the right having a radius of 1997.82 feet, a central angle of $05^{\circ}38'44''$, an arc length of 196.85 feet, and a chord bearing North $80^{\circ}04'13''$ West, 196.77 feet to the POINT OF BEGINNING, containing a gross acreage of 293.49 acres of land.

EDMINSTER, HINSHAW, RUSS AND ASSOCIATES, INC.

Piotr A. Dabski, R.P.L.S.
Texas Registration No. 5902
10555 Westoffice Drive
Houston, Texas 77042
713-784-4500



Date: Jan 27, 2008
Job No: 071-018-00
File No: R:\2007\071-018-00\docs\technical\descr\293.49ac.doc

293.49 Acres
James Edwards Survey, A-180
Enjah Collard Survey, A-7
Page 5 of 8

Texas Commission on Environmental Quality

TECHNICAL MEMORANDUM

To: Todd Chenoweth, Director
Water Supply Division

Date: November 4, 2008

Thru: *RN* ^{Fr} Doug Holcomb, P.E. Manager, Utilities and Districts Section
RN ^{Fr} Alex A. (Skip) Ferris, P.E. Leader, Districts Review Team

From: Districts Review Team

Subject: Petition by David B. Hendricks, individual, and Houston Intercontinental Trade Center, L.P., for Creation of Montgomery County Municipal Utility District No. 126; Pursuant to Texas Water Code Chapters 49 and 54.
TCEQ Internal Control No. 07082008-D02 (TC)
CN: 603385923 RN: 105577530

A. GENERAL INFORMATION

The Commission received a petition within the application requesting approval for the creation of Montgomery County Municipal Utility District No. 126 (District). The petition was signed by David B. Hendricks, individual, and by Michael P. Barsi, president of Revista, Inc, general partner of Houston Intercontinental Trade Center, L.P. (Petitioners). According to the petition, the Petitioners are the owners of a majority in value of the land in the proposed District, and that there are two lien holders; Sterling Bank, and Benchmark Bank, on the property to be included in the proposed District. By joinder to the petition, the lien holders consent to the creation of the proposed District.

The District is proposed to be created and organized according to the terms and provisions of Article XVI, Section 59 of the Texas Constitution, and Chapters 49 and 54 of the Texas Water Code.

Location and Access

The proposed District is located in central Montgomery County, three miles west of Interstate Highway 45 on the east side of Lake Conroe, and approximately six miles northwest of the downtown portion of the City of Conroe (City). Access to the proposed District is provided from IH-45 to League Line Road. The petition states that all of the proposed District is located within the extraterritorial jurisdiction (ETJ) of the City, and is in the process of being annexed into the corporate limits of the City.

Metes and Bounds Description

The proposed District contains one tract of land totaling 293.49 acres. The metes and bounds description of the proposed District has been checked by the Commission's staff and has been found to form an acceptable closure.

City Consent

By Ordinance No. 1848-08, effective May 22, 2008, the City of Conroe gave its consent to the petition for creation of the proposed District. Accordingly, the requirements of Texas Water Code Section 54.016 and Texas Local Government Code Section 42.042 have been satisfied. The City consent recognizes the proposed District providing water, wastewater, drainage, recreational, and road facilities.

Statements of Filing Petition

Evidence of filing the petition with the Montgomery County clerk's office and the Commission's Houston regional office has been provided.

Type of Project

The proposed District will be considered a "developer project" as defined by 30 TAC Section 293.44(a). Therefore, developer cost participation in accordance with 30 TAC Section 293.47 will be required.

Developer Qualifications

Application material indicates that the Petitioners have completed commercial, mixed use, and single-family residential communities in the greater Houston area for over 30 years. The material also indicates that the Petitioners are currently involved in several projects at various stages of development.

Appraisal District Certificate

By certificate dated March 6, 2008, the Montgomery Central Appraisal District has certified that the tax rolls indicate that David Hendricks and Houston Intercontinental Trade Center L.P. are the owners of the property in the proposed District. Documents provided support that the Petitioners own a majority in value of the land in the proposed District.

Temporary Director Affidavits

The Commission has received affidavits for Commission consideration of the appointment of temporary directors for the following:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

Each of the above persons named is qualified, as required by 30 TAC Section 293.32(a), to serve as a temporary director of the proposed District as each (1) is at least 18 years old; (2) is a resident of the state of Texas; and (3) either owns land subject to taxation within the proposed District, or is a qualified voter within the proposed District.

Notice Requirements

Proper notice of the application was published on August 25 and September 1, 2008, in the Conroe Courier, a newspaper regularly published or circulated in Montgomery County, the county in which the district is proposed to be located. Proper notice of the application was posted on August 25, 2008, on the bulletin board used for posting legal notices in Montgomery County. Accordingly, the notice requirements of 30 TAC Section 293.12(b) have been satisfied.

B. ENGINEERING ANALYSIS

The creation engineering report indicates the following:

Availability of Comparable Service

The proposed District will be annexed by the City. Pursuant to the terms of the Utility Services and Development Agreement (Agreement), the City will provide water supply and wastewater treatment services, and trunk lines to the proposed District, at no cost to the proposed District. The proposed District will construct, own, and operate its own internal water, wastewater, and drainage systems.

Water Supply

Pursuant to the Agreement, the City will provide the proposed District with its water supply at no cost to the proposed District.

Water Distribution

The water distribution system for full development will consist of 54,210 linear feet (lf) of 4 to 12-inch diameter lines that will connect to an existing City line. Isolation valves and flushing valves will be provided at required intervals.

Wastewater Treatment

The wastewater generated by the development of the proposed District will be conveyed to a wastewater treatment facility constructed, maintained, and operated by the City at no cost to the proposed District, pursuant to the Agreement.

Wastewater Collection

The internal wastewater collection system for full development of the proposed District will consist of 43,380 (lf) of 8 to 12-inch diameter gravity lines, five lift stations, and approximately 9,200 lf of 4 to 10-inch diameter force main that discharge into an existing 24-inch City wastewater line.

Storm Water Drainage

The storm water runoff within the proposed District will be directed through curb inlets to 31,570 lf of 24 to 66-inch diameter reinforced concrete storm sewers. For the 78-acre eastern portion of the proposed District, collected storm water will drain into detention facilities and ultimately through an existing development. The remaining acreage will drain into Lake Conroe through a series of drainage channels and reinforced concrete pipe.

Topography

The proposed District has elevations ranging from 202 to 330 feet above mean sea level. The tract is heavily wooded with rolling terrain, and generally drains westerly toward Lake Conroe.

Floodplain

Federal Emergency Management Agency Flood Insurance Rate Map Panel No. 48339C0359F dated December 19, 1996, indicates that no acreage of the proposed District is inside the 100 year flood plain.

Impact on Natural Resources

The creation of the proposed District is expected to have no unreasonable effect on land elevation, groundwater levels, recharge capability, subsidence, natural runoff rates and drainage, or water quality.

C. SUMMARY OF COSTS **- WATER, WASTEWATER, AND DRAINAGE**

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Water distribution system	\$ 1,745,680
2. Wastewater collection	3,390,930
3. Lift stations (4) internal	650,000
4. Drainage collection facilities	3,319,830
5. Drainage and detention	1,064,040
6. Pollution Prevention Plan	660,000
7. Clearing & grubbing	574,700
8. Contingencies (10% of Item nos. 1-7)	1,140,518
9. Engineering (16% of Item nos. 1-8)	2,007,312
Total Developer Contribution Items	\$ 14,553,010
B. District Items	
1. Lift station main	\$ 375,000
2. Contingencies (10% of Item no.1)	37,500
3. Engineering (16% of Items nos.1 & 2)	66,000
4. Land costs	
a. Lift station site (0.3 acres x \$30,000/acre)	9,000

b. Detention site (46.8 acres x \$30,000/acre)	1,404,000
Total District Items	<u>1,891,500</u>
TOTAL CONSTRUCTION COSTS (67.46% of BIR)	\$ 16,444,510
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 731,250
B. Fiscal Agent Fees (2%)	487,500
C. Interest	
1. Capitalized Interest (24 months @ 6%)	2,925,000
2. Developer Interest (24 months @ 6%)	1,973,341
D. Bond Discount (3%)	731,250
E. Creation Costs	75,000
F. Operating Expenses	300,000
G. Bond Issuance Expenses	301,836
H. Bond Application Report Costs	320,000
I. Attorney General Fee (0.1% of BIR)	24,375
J. TCEQ Bond Issuance Fee (0.25%)	<u>60,938</u>
TOTAL NONCONSTRUCTION COSTS	<u>\$ 7,930,490</u>
TOTAL BOND ISSUE REQUIREMENT	\$ 24,375,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

- ROADWAYS

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Major Roadways	\$ 1,663,377
2. Landscaping thoroughfares and collector streets	220,000
3. Contingencies (10% of Item nos. 1 & 2)	188,338
4. Engineering (16% of Item nos. 1 & 3)	<u>331,474</u>
Total Developer Contribution Items	\$ 2,403,189
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (71.95% of BIR)	\$ 2,403,189
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 100,200
B. Fiscal Agent Fees (2%)	66,800
C. Interest	
1. Capitalized Interest (24 months @ 6%)	400,800
2. Developer Interest (24 months @ 6%)	288,383
D. Operating cost	50,000

E. Miscellaneous Expenses	30,628
TOTAL NONCONSTRUCTION COSTS	\$ 936,811
TOTAL BOND ISSUE REQUIREMENT	\$ 3,340,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.
Eligibility of costs for District funding and 30% developer contribution requirements may be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

- RECREATION

<u>Construction Costs</u>	<u>District's Share⁽¹⁾</u>
A. Developer Contribution Items	
1. Amenity park plan	\$ 725,000
2. Contingencies (10% of Item no. 1)	72,500
3. Engineering (15% of Items 1 & 2)	119,625
Total Developer Contribution Items	\$ 917,125
B. District Items	
None	
TOTAL CONSTRUCTION COSTS (70.0% of BIR)	\$ 917,125
<u>Non-Construction Costs</u>	
A. Legal Fees (3%)	\$ 39,300
B. Fiscal Agent Fees (2%)	26,200
C. Interest	
Capitalized Interest (24 months @ 6%)	157,200
D. Bond Discount (3%)	39,300
E. Bond Issuance Expenses	36,290
F. Operating costs	50,000
G. Bond Application Report Costs	40,000
H. Attorney General Fee (0.10% of BIR)	1,310
I. TCEQ Bond Issuance Fee (0.25%)	3,275
TOTAL NONCONSTRUCTION COSTS	\$ 392,875
TOTAL BOND ISSUE REQUIREMENT	\$ 1,310,000

Note: (1) Assumes 100% funding of anticipated developer contribution items.

Eligibility of costs for District funding will be determined in accordance with Commission rules in effect at the time bond applications are reviewed.

D. ECONOMIC ANALYSIS

Land Use

The land use for the proposed District is projected in the following table:

<u>Development</u>	<u>Acres</u>	<u>ESFCs</u>
Single-Family Residential	219.40	771
Recreation Center	1.80	6
Park, Recreation & Open Space	25.19	0
Lift station	0.30	0
Lake and Water Quality Detention	<u>46.80</u>	<u>0</u>
Total	293.49	777

Market Study

A market study, prepared by MetroStudy, has been submitted in support of the creation of the proposed District, and shows there is a market demand for the District. The market study indicates that the proposed District will contain 771 single-family homes with prices averaging from \$225,000 to \$360,000 on 60 to 80-foot lots, and expected to be absorbed at a rate of 85 to 160 units per year. The proposed District will also contain a recreation center.

Project Financing

The estimated total assessed valuation of the proposed District at completion is as follows:

<u>Single-Family Lot Width</u>	<u># of Units</u>	<u>Average Unit Value</u>	<u>Total Value at Build-out</u>
60 – 80 foot	771 homes	\$ 304,838	\$ 235,030,000
Total			\$ 235,030,000

Considering an estimated bond issue requirement of \$24,375,000 (assuming 100% financing) for utilities, \$3,340,000 (assuming 100% financing) for roads, and \$1,310,000 (assuming 100% financing) for recreational facilities, a coupon bond interest rate of 6.0%, and a 25-year bond life, the average annual debt service requirement for utilities, roads, and recreational facilities would be approximately \$1,906,776, \$261,277 and \$102,477, respectively. Assuming a 95% collection rate and an ultimate taxable assessed valuation of \$235,030,000, a tax rate of about \$0.85 per \$100 AV for utilities, \$0.12 per \$100 AV for roads, and \$0.05 per \$100 AV for recreation facilities, respectively, would be necessary to meet the annual debt service requirements.

The total year 2007 overlapping tax rates on land within the proposed District are shown in the following table:

<u>Taxing Jurisdiction</u>	<u>Tax per \$100 valuation</u>
Montgomery County	\$ 0.4888
Montgomery County Hospital District	0.0777
North Harris Montgomery County College District	0.1144
Willis ISD	1.3060
City of Conroe	0.4250
Proposed Montgomery County MUD No. 126	<u>1.0200</u> ⁽¹⁾
Total tax per \$100 valuation	\$ 3.4289

Notes: (1) Includes debt service tax rates of \$0.85 for utilities, \$0.12 for roads, and \$0.05 for recreational facilities. No maintenance tax was indicated. The total (proposed District tax; and the City tax for water, wastewater and drainage, road, and recreational facilities – if the City annexes the land) would need to be less than the \$1.50 limit indicated in 30 TAC rules.

Based on the proposed District tax rate and the year 2007 overlapping tax rates on land within the proposed District, the project is considered economically feasible.

Water and Wastewater Rates

According to information provided projected City rates are as follows:

Water:

Base charge (up to 3,000 gallons)	\$8.71
Each 1,000 gallons over 3,000 gallons	\$2.16

Wastewater:

Base charge (up to 3,000 gallons)	\$15.73
Each 1,000 gallons over 3,000 gallons	\$ 1.92

Based on the City rates, the estimated monthly fee for 10,000 gallons of water and wastewater would be approximately \$53.00.

Comparative Water District Tax Rates

A debt tax rate of about \$1.02 for the proposed District is comparable to other districts in the area. Based on the requirements of 30 TAC Section 293.59, this project is economically feasible.

E. SPECIAL CONSIDERATIONS

1. Annexation

As stated above, the proposed District is in the ETJ of the City. The engineering report indicates that the proposed District is in the process of being annexed by the City.

2. Request for Road Powers

The Petitioners request approval for road powers at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 54.234, approval of road utility district powers may be requested at the same time as creation. The proposed District has submitted a summary of the estimated cost in the engineering report that was submitted with the application. The proposed roads appear to benefit the proposed District, and financing appears feasible.

3. Request for Recreation Plan Approval

The Petitioners request approval of a recreation plan at the same time as the creation of the proposed District. Pursuant to Texas Water Code Section 49.351(g) and 30 TAC Section 293.11(a)(10), approval of a recreation plan may be requested at the same time as creation. The application material includes a detailed summary of the proposed recreational facility projects, projects' estimated costs, and proposed financing methods for the projects. The proposed District plan to construct recreational facility appears reasonable and feasible.

F. CONCLUSIONS

1. Based on Commission policy, compliance with Commission rules, and review of the engineering report and supporting documents, the proposed District is considered feasible, practicable, would be a benefit to the land within the proposed District, and would be necessary as a means to finance utilities and to provide utility service to future customers.
2. Based on a review of the application and supporting documents, the District's acquisition of Road Powers is considered feasible.
3. Based on a review of the preliminary engineering report; the market study; the proposed District's water, wastewater, drainage, road, and recreational facilities; a combined projected tax rate of \$1.02; the proposed District obtaining a 6.0% bond coupon interest rate; and other supporting data, the proposed District is considered feasible under the feasibility limits prescribed by 30 TAC Section 293.59.
4. The recommendations are made under authority delegated by the Executive Director of the Texas Commission on Environmental Quality.

G. RECOMMENDATIONS

1. Grant the petition for creation of Montgomery County Municipal Utility District No. 126.
2. Grant the District's request to acquire Road Powers in accordance with Texas Water Code Section 54.234 and 30 TAC §§ 293.201 and 293.202, subject to the requirements imposed by the Commission and the general laws of the State of Texas relating to the exercise of such powers.
3. The order granting the petition should include the following statements:

"This Order shall in no event be construed as an approval of any proposed agreements or of any particular items in any documents provided in support of the petition for creation, nor as a commitment or requirement of the Commission in the future to approve or disapprove any particular items or agreements in future applications submitted by the District for Commission consideration.

"This Order shall not constitute approval or recognition of the validity of any provision in the City of Conroe creation consent Ordinance No. 1848-08, effective May 22, 2008, and any other ordinance/resolution incorporated therein by reference to the extent that such provisions exceed the authority granted to the City of Conroe by the laws of the State of Texas.

4. Appoint the following to serve as temporary directors until permanent directors are elected and qualified:

Irving A. Wolf
Adam H. Soffar

Gary Calfee
Donald E. Robinowitz

Robert L. Tompkins

H. ADDITIONAL INFORMATION

The petitioners' professional representatives are:

Attorney: Mr. Abraham I. Rubinsky – Schwartz, Page, & Harding LLP
Engineer: Mr. Hasan Syed, P.E. – Edminster, Hinshaw, Russ & Assoc.
Market Analyst: Mr. Toby Ware – Metrostudy



Greg Charles
Districts Review Team

EXHIBIT B

UTILITY SERVICES AND DEVELOPMENT AGREEMENT

THE STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §

THIS UTILITY SERVICES AND DEVELOPMENT AGREEMENT (the "Agreement") is made and entered into as of the 13th day of March, 2008, by and between the **CITY OF CONROE, TEXAS** (the "City"), a municipal corporation and home-rule city located in Montgomery County, Texas, and **DAVID B. HENDRICKS** and **HOUSTON INTERCONTINENTAL TRADE CENTER, L.P.** a Texas limited partnership (collectively referred to herein as "Developer") or their respective successors or assigns, on behalf of proposed **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126**, to be created as a body politic and corporate and governmental agency of the State of Texas organized under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended (hereinafter the term "District" (as defined herein) shall be construed to include both Developer and the District, as it is the intention of the parties to this Agreement that all rights, benefits and obligations pursuant to this Agreement shall ultimately be assigned to said District upon its creation. Thus, the representations herein by said Montgomery County Municipal Utility District No. 126 at this time represent Developer's commitment to cause or direct the same to occur).

RECITALS:

1. The City is a municipal corporation that provides a full range of governmental services to its citizens. The City owns and operates water production and distribution facilities, wastewater collection and treatment facilities, a police department, a fire department and provides other municipal services.
2. Developer owns approximately 293 acres of land in Montgomery County, Texas, located within the City's extraterritorial jurisdiction and described more particularly in Exhibit "A" attached hereto and incorporated herein for all purposes (the "Property").
3. Developer either has or intends to petition the City to (i) annex the Property and (ii) consent to the creation of the District over the Property. Developer plans to construct, on behalf of the District, a water distribution system and a wastewater collection and transportation system (including lift stations) and a storm water system (as more fully defined herein, the "Facilities") to serve the development occurring within that portion of the City situated within the boundaries of the District.

4. Approximately 175 acres of the Property (the 'Aqua CCN Property') is located within the certificated areas of certain Certificates of Convenience and Necessity ("CCNs") held and owned by Aqua Development, Inc. a Texas corporation ('Aqua Development').
5. Developer, on behalf of the District, and Aqua Development and Aqua Operations, Inc. a Delaware corporation, doing business as Aqua Texas, Inc. ("Aqua Texas") have entered into that certain Operations and Maintenance Agreement dated January 18, 2008, (the "Aqua Operations and Maintenance Agreement") wherein Aqua Development has agreed to either release the Aqua CCN Property from the Aqua Development CCNs or assign the CCN rights to the District relative to the Aqua .CCN Property. In consideration for Aqua Development relinquishing its right to provide retail water and wastewater services to the Aqua CCN Property, the Developer, on behalf of the District, has agreed that Aqua Texas shall operate, maintain and manage the Facilities on behalf of the District in accordance with the terms of the Aqua Operations and Maintenance Agreement.
6. Approximately 23 acres of the Property (the 'C&R CCN Property') is located within the certificated areas of certain CCNs held and owned by C&R Water Supply Inc. a Texas corporation ("C&R").
7. The City has agreed to purchase from C&R the C&R CCNs and certain water production and wastewater treatment facilities and sites owned by C&R, and either release the C&R Property from the C&R CCNs or assign the CCN rights to the District relative to the C&R CCN Property only.
8. In connection with the City's purchase of the C&R CCNs, facilities and sites, the City and C&R have agreed that C&R shall convey directly to Developer that certain .210 acre tract of land upon which C&R has previously owned and operated a Wastewater Treatment facility, a legal description of which land is attached hereto as **Exhibit "B"**, (the 'C&R Site').
9. The City has agreed to extend water distribution and wastewater collection lines to the District's boundary and to provide sufficient water supply and wastewater treatment plant capacity to serve the Property at full development, on a time schedule that meets the Developer's needs, at no cost to the District or to the Developer and without imposing any impact fees on the Developer, the District or on any of its customers, and to provide the water supply and wastewater treatment services to the District for resale to the future customers of the District.
10. Under the authority of Local Government Code Section 402.014, as amended, the City and the District desire to enter into an agreement under the terms of which (i) the District will acquire for the benefit of and for ultimate conveyance to the City, the Facilities needed to serve lands being developed within the boundaries of the

District; (ii) the City will acquire the C&R CCNs, facilities and sites from C&R and either release the C&R Property from the C&R CCNs or assign the CCN rights to the District relative to the C&R CCN Property only; and (iii) in order to enhance the economic feasibility of the District and more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes to be levied from time to time by the City and the District, the City will make annual tax revenue rebate payments to the District in consideration of the District's financing, acquisition and construction of the Facilities.

11. The City and the Developer have determined that they are authorized by the Constitution and laws of the State of Texas to enter into this Agreement and have further determined that the terms, provisions and conditions hereof are mutually fair and advantageous to each.

AGREEMENT

NOW, THEREFORE, and in consideration of the mutual promises, obligations, covenants and benefits hereinafter set forth, the District and the City contract and agree as follows:

ARTICLE I **DEFINITIONS**

1.01 Definitions. Unless the context requires otherwise, and in addition to the terms defined above, the following capitalized terms and phrases used in this Agreement shall have the meanings as follows:

'Annual Payments' means the annual payments to be made by the City to the District, as defined in Sections 6.01 and 6.02 hereof.

'Approving Bodies' means the City, the Texas Commission on Environmental Quality, the Attorney General of Texas, the Comptroller of Public Accounts of Texas, the United States Department of Justice and all other federal and state governmental authorities having regulatory jurisdiction and authority over the financing, construction or operation of the Facilities or the subject matter of this Agreement.

'Bonds' means the District's bonds, notes or other evidences of indebtedness issued from time to time for the purpose of financing the costs of acquiring, constructing, purchasing, operating, repairing, improving or extending the Facilities, whether payable from ad valorem taxes, the proceeds of one or more future bond issues or otherwise, and including any bonds, notes or similar obligations issued to refund such bonds.

"CCN" means a Certificate of Convenience and Necessity issued by the Texas Commission on Environmental Quality or its predecessor, which may relate to water services, sewer services, or both.

"City" means the City of Conroe, Texas, a municipal corporation and home-rule city of the State of Texas.

"City Administrator" means the City Administrator of the City.

"City System" means the City Wastewater System and the City Water System.

"City Wastewater System" means all the wastewater treatment facilities, lines, components and equipment owned and used by the City to collect, convey, treat, monitor, regulate and dispose of wastewater.

"City Water System" means all the water production wells, pumps, lines, meters, components, facilities and equipment owned and used by the City to produce, pump, treat, monitor, convey, supply and distribute water to the public.

"City WS&D Tax Rate" means that portion of the City's ad valorem tax rate attributable to the financing of the water, sewer, and drainage facilities as calculated pursuant to Article VI of the Agreement.

"C&R" means C&R Water Supply Inc. a Texas corporation.

"C&R CCN Property" means that certain approximately 23 acres of the Property located within the certificated areas of certain CCNs held and owned by C&R.

"C&R Site" means that certain .210 acre tract of land located within the C&R CCN Property, which is currently owned by C&R and used as a wastewater treatment plant site, and which is more particularly described on Exhibit 'B' attached hereto.

"Developer" means David B. Hendricks and Houston Intercontinental Trade Center, L.P., a Texas limited partnership, or their respective successors or assigns.

"District" means the proposed Montgomery County Municipal Utility District No. 126, a body politic and corporate and a governmental agency of the State of Texas organized under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54 Texas Water Code, as amended, and which includes within its boundaries all or any portion of the Property and any land that is annexed into the District with the consent of the City.

"District Assets" means (i) all rights, title and interests of the District in and to the Facilities, (ii) any Bonds of the District which are authorized but have not been issued by the District, (iii) all rights and powers of the District under any agreements or commitments with any persons or entities pertaining to the financing, construction or operation of all or any portion of the Facilities and/or the operations of the District, and (iv) all books, records, files, documents, permits, funds and other materials or property of the District.

"District Obligations" means (i) all outstanding Bonds of the District, (ii) all other debts, liabilities and obligations of the District to or for the benefit of any persons or entities relating to

the financing, construction or operation of all or any portion of the Facilities or the operations of the District, and (iii) all functions performed and services rendered by the District, for and to the owners of property within the District and the customers of the Facilities.

"District System" means the District Wastewater System and District Water System.

"District Tax Rate" means the sum of the District's maintenance and debt service tax rates and the City WS&D Tax Rate. In determining the District Tax Rate for any particular year, the parties recognize that the District's maintenance and debt service tax rates and the City WS&D Tax Rate may increase or decrease.

"District Wastewater System" means the wastewater system that will be constructed by or on behalf of the District to provide for the collection of wastewater received from customers within the District, ending at the Point(s) of Connection of Wastewater depicted on Exhibit "C" attached hereto, and will include any sewer force main, booster pumps and lift stations that will be required to transport wastewater from customers within the District to the Point(s) of Connection of Wastewater.

"District Water System" means the water supply and distribution system that will be constructed by or on behalf of the District for the distribution of potable water to serve customers of the District, ending at the Point(s) of Connection of Water depicted on Exhibit "C" attached hereto.

"Engineers" means Edminster, Hinshaw, Russ & Associates, Inc. consulting engineers, or its replacement, successor or assignee.

"Engineering Reports" means and refers to that certain Preliminary Engineering Report prepared by the Engineers relating to the creation of the District and describing the initial scope and extent of the Facilities and any additional engineering reports prepared by the Engineers from time to time relating to the issuance of Bonds by the District, copies of which shall be on file in the offices of the District.

"ESD" is defined in **Section 2.03**.

"ETJ" means the extraterritorial jurisdiction of the City.

"Facilities" means and includes the District System and any storm water collection, detention and drainage systems constructed or acquired or to be constructed or acquired by the District to serve lands within its boundaries, and all improvements, appurtenances, additions, extensions, enlargements or betterments thereto, together with all contract rights, permits, licenses, properties, rights-of-way, easements, sites and other interests related thereto, all as more fully described in the Engineering Reports.

"Notice" is defined in **Section 9.05**.

"Payment Date" means the date each year on which the Annual Payments are due, as defined in **Section 6.02**.

"Point(s) of Connection of Wastewater" means the point or points where the District Wastewater System connects to the City Wastewater System, which shall be within an easement and/or right-of-way in substantially the location(s) depicted on **Exhibit "C"** hereto.

"Point(s) of Connection of Water" means the point or points where the District Water System connects to the City Water System, which shall be within an easement and/or right-of-way in substantially the location(s) depicted on **Exhibit "C"** hereto.

"Property" means all the land described in the attached **Exhibit "A"** and also means any other property owned by Developer, now or in the future, that the Developer provides written notice to the City is to be included within the "Property"

"TCEQ" means the Texas Commission on Environmental Quality and its successors.

"Utility Development Agreement" is defined in **Section 5.05** herein.

"Wastewater" means water-carried wastes, exclusive of ground, surface and storm waters, normally discharged from the sanitary conveniences of dwellings, including apartment houses, hotels, office buildings and institutions of a domestic, not industrial nature.

"Wastewater Services" means the services provided by the City in receiving, treating, testing, and dispensing of Wastewater from the District Wastewater System to the City Wastewater System in accordance with this Agreement.

"Water" means potable water that meets federal and state standards for consumption by humans.

"Water Supply Services" means the services provided by the City in treating, pumping, transporting and delivering of Water from the City Water System to the District Water System for consumption by District customers in accordance with this Agreement.

ARTICLE II

ANNEXATION, CREATION OF MUNICIPAL UTILITY DISTRICT

AND DEVELOPMENT OF PROPERTY

2.01 Petition for Annexation of Property and Consent to Creation of a Municipal Utility District. Immediately following the execution of this Agreement by the parties, Developer agrees to petition the City to annex the Property and to consent to the creation of the District over the Property.

2.02 Consent to the Creation of a Municipal Utility District. The City agrees that, simultaneously with the annexation of the Property, which shall occur on or about May 22, 2008, the City shall consent to the creation of the District over the Property. The District shall be

authorized to exercise all powers granted to municipal utility districts pursuant to Article III, Section 52 and Article XVI, Section 59 of the Texas Constitution, Chapters 49 and 54 of the Texas Water Code, and all other applicable laws and regulations existing at the time of creation or thereafter enacted. These powers shall include, but not be limited to, the power to design, construct, and issue bonds for the Facilities, as well as for parks and recreational facilities and road improvements. The City will approve a consent ordinance in substantially the form attached hereto as **Exhibit "D"**. If the City refuses or fails to consent to the creation of the District as set forth herein for any reason, the City shall immediately de-annex the Property upon the written request of Developer.

2.03 Removal of Property from Montgomery County Emergency Services District No. 1. The Property is located in Montgomery County Emergency Services District No.1 (the "ESD"), a taxing authority that provides fire protection and emergency medical and ambulance services to the Property. The City agrees that, upon annexation of the Property into the City, the City shall cause the removal of the Property from the ESD pursuant to Health and Safety Code Section 775.022, as amended ("Section 775.022") so that no ESD tax rate shall be imposed on the Property following the annexation of the Property into the City. The City shall be solely responsible for any compensation due to the ESD pursuant to Section 775.022 without contribution or reimbursement by the Developer or the District.

2.04 Fire Protection Services. The City agrees that, upon annexation of the Property into the City, the City shall provide the Property and all persons living therein with the same level of fire protection services as is provided to all other property and persons living within the City.

2.05 Police Protection Services. The City agrees that, upon annexation of the Property into the City, the City shall provide the Property and all persons living therein with the same level of police protection services as is provided to all other property and persons living within the City.

2.06 Plans and Approvals. The Developer agrees to submit all plans and specifications for streets and other public improvements to the City for review and approval in accordance with the City's applicable codes, regulations and ordinances prior to commencing construction of any such improvements.

ARTICLE III
DESCRIPTION, DESIGN, FINANCING AND
CONSTRUCTION OF THE FACILITIES

3.01 Facilities. The Facilities shall be designed and constructed in compliance with all applicable requirements and criteria of the applicable Approving Bodies. The District shall not be required to design and construct the Facilities to requirements more stringent than the City's requirements and criteria applicable to all design and construction within the City's jurisdiction. The District shall design, construct or extend the Facilities in such phases or stages as the District, in its sole discretion, from time to time may determine to be economically feasible.

3.02 C&R CCNs. No later than thirty (30) days following the execution of this Agreement by the parties, the City shall enter into a contract for the purchase of the C&R CCNs, facilities and sites from C&R and shall thereafter do all things necessary to obtain any required regulatory approvals and complete the purchase in a prompt manner. Upon purchase, City shall either release the C&R CCN Property from the C&R CCNs or assign the CCN rights to the District relative to the C&R CCN Property only. The City acknowledges the existence of and agrees to honor that certain agreement between Developer and C&R regarding the proposed abandonment of existing easements and the conveyance of new sixteen foot (16') utility easements along League Line Road near the Property in the event the transactions contemplated in such agreement have not been completed prior to the City's closing on the purchase of the C&R CCNs, facilities and sites.

3.03 Water Distribution and Supply Facilities. The City shall provide the District with its ultimate requirements for Water supply as needed and when required by the District, and same shall be provided without capital charges of any kind. The City Water System shall deliver Water to the District Water System at the Point(s) of Connection of Water through sixteen inch (16") water lines located along League Line Road and/or Longmire Road, as described on Exhibit "C" attached hereto, or as may otherwise be mutually agreed to by the City and District.

3.04 Title to Water. Title to all Water delivered to the District shall remain in the City to the Point(s) of Connection of Water, and upon passing through the Point(s) of Connection of Water, title thereto shall pass to the District.

3.05 Wastewater Treatment Plant Facilities. The City and the District agree that the property located within the District is designated as part of the service areas of the City of Conroe Treatment Plant. The City represents that it has sufficient capacity in the City of Conroe Treatment Plant to serve the development of the District as needed and when required by the District and that it shall provide said Wastewater Services to the District when needed. In the event that the City of Conroe Treatment Plant does not have sufficient capacity to serve the development in the District as needed, the City agrees to make any necessary improvements to the City of Conroe Treatment Plant, at no cost to the District, in order to serve the development in the District.

3.06 C&R Wastewater Treatment Plant Site. In connection with the City's acquisition of the C&R CCNs, facilities and sites, the City agrees to cause C&R to convey the C&R Site located within the C&R CCN Property to the Developer.

3.07 Wastewater Connections. The District Wastewater System shall transport Wastewater from the District's customers to the City Wastewater System at the Point(s) of Connection of Wastewater located substantially on or adjacent to the District's boundary, as depicted on Exhibit "C" attached hereto, or as may otherwise be mutually agreed to by the City and District. The City shall construct, at no cost to Developer or District, a new sanitary sewer line or lines, of sufficient size and diameter to provide Wastewater Services to the District at full development, from the Point(s) of Connection of Wastewater to the existing City Wastewater System located along League Line Road.

Notwithstanding the foregoing, no connections shall be made to the District Wastewater System until:

(1) the City has inspected and approved the Point(s) of Connection of Wastewater; and

(2) all buildings or structures served by the District Wastewater System shall be located entirely within the boundaries of a lot or parcel shown in a plan, plat or replat filed with and finally approved by the City Planning Commission of the City of Conroe and duly recorded in the official records of the county where the property is located (provided this limitation shall not apply if no plan, plat or replat is required by applicable State statutes, City ordinances or City Planning Commission regulations).

3.08 Letter of Assurance and Issuance of Assignments of Capacity by the District. The City agrees that, from time to time, the City shall, upon reasonable request, issue a letter of assurance to purchasers or prospective purchasers of land within the District that the District is entitled to the use and benefit of Water Supply Services and Wastewater Services in the City System.

ARTICLE IV **OWNERSHIP, OPERATION AND MAINTENANCE OF FACILITIES**

4.01 Ownership of the Facilities. Except as provided hereinbelow, the District shall retain ownership of the Facilities for so long as the Aqua Operations and Maintenance Agreement remains in effect. Following termination or expiration of the Aqua Operations and Maintenance Agreement, the City may, after giving the District ninety (90) days advance written notice, require that all existing Facilities be conveyed to the City and that any new Facilities to be acquired and/or constructed to serve property within the District, be conveyed to the City, reserving, however, a security interest therein in favor of the District for the purpose of securing the performance of the City under this Agreement. Notwithstanding anything to the contrary set forth above, the City shall have the right, subject to ninety (90) days advance written notice to the District, to require that the District convey the Facilities to the City for ownership, subject to the City simultaneously assuming all rights, duties and obligations of the District pursuant to the

terms of the Aqua Operations and Maintenance Agreement. At such time as the District's Bonds issued to acquire and construct the Facilities have been discharged, the District shall execute a release of such security interest and the City shall own the Facilities free and clear of such security interest.

4.02 Operation of the Facilities. As construction of each phase of the Facilities is completed, representatives of the City shall inspect the same and, if the City finds that the same has been completed in accordance with the final plans and specifications, the City will approve same. In the event that the Facilities have not been completed in accordance with the final plans and specifications, the City will immediately advise the District in what manner said Facilities do not comply, and the District shall immediately correct same; whereupon the City shall again inspect the Facilities and approve same if the defects have been corrected. Pursuant to the Aqua Operations and Maintenance Agreement, which is hereby acknowledged and affirmed by the City, Aqua Texas shall operate, maintain and manage the Facilities on behalf of the District until such time as said Agreement is terminated or is no longer in effect. Following termination or expiration of the Aqua Operations and Maintenance Agreement, the District shall continue to operate, maintain and manage the Facilities until such time as the Facilities are conveyed to and accepted by the City. Upon conveyance, the Facilities shall be operated, maintained and managed by the City at its sole cost and expense.

4.03 Rates and Meters. During the period in which the District owns, operates, maintains and manages the Facilities, the City shall provide the District with Water Supply Services at a rate of \$2.04 per thousand gallons, or at such rate as may hereafter from time to time be established by the City for general application to commercial customers of the City with monthly consumption greater than 50,000 gallons; and shall further provide the District with Wastewater Services at a rate of \$1.92 per thousand gallons of metered water consumption, or at such rate as may hereafter from time to time be established by the City for general application to commercial wastewater customers of the City with monthly water consumption of 3,000 gallons or more. Aqua Texas, on behalf of the District and pursuant to the Aqua Operations and Maintenance Agreement, shall bill and collect from customers of the facilities such fees and charges as may be established from time to time and found to be necessary by the District, in its sole and absolute discretion. Upon conveyance of the Facilities to the City, the City shall thereafter bill and collect from customers of the Facilities and shall from time to time fix such rates and charges for such customers of the Facilities as the City, in its sole discretion, determines are necessary; provided, however, that the rates and charges for services afforded by the Facilities will be equal and uniform to those charged other similar classifications of users in non-municipal utility district areas of the City. All revenues from the Facilities shall belong exclusively to the owner of the Facilities. The City shall, upon taking ownership of the Facilities, be responsible for providing and installing any necessary meters with the individual customers.

4.04 Connection Charges. During the period in which the District owns, operates, maintains and manages the Facilities, the District shall impose a charge for connection to the Facilities, at a rate to be determined from time to time by the District, in its sole and absolute discretion, and such connection charges shall belong exclusively to the District. Following the conveyance of the Facilities to the City, and notwithstanding any City ordinance to the contrary,

the City may impose a charge for connection to the Facilities at a rate to be determined from time to time by the City, provided the charge is equal to the sums charged other City users for comparable connections, and the connection charges shall belong exclusively to the City.

4.05 Condemnation of Property Outside District Boundaries. The District shall not be authorized to exercise the power of eminent domain to acquire property that is located outside the boundaries of the District without the approval of the City.

ARTICLE V FINANCING OF FACILITIES

5.01 Authority of District to Issue Bonds.

(a) **Bonds.** The District shall have the authority to issue, sell and deliver Bonds from time to time, as deemed necessary and appropriate by the Board of Directors of the District, for the purposes, in such form and manner and as permitted or provided by federal law, the general laws of the State of Texas and the City's consent ordinance. The District shall not be authorized to sell Bonds until it has provided the City with a certified copy of the TCEQ order approving the Bond issue, a copy of the Preliminary Official Statement and draft of the Bond Order.

(b) **Tax Levy.** In order to pay for the day-to-day operations of the District, the District may levy and assess and collect an operation and maintenance tax, provided that the District's combined debt service and operation and maintenance tax in a given year does not exceed \$0.90 per \$100 in valuation without the written consent of the City.

Each TCEQ order approving a Bond Issue must contain a finding, made in accordance with the Commission's then-existing rules, that it is feasible to sell the Bonds and maintain a projected District Tax Rate (including the District's operation and maintenance tax) that will not exceed \$0.90 per \$100 in valuation. The foregoing shall not be construed as a limitation on the District's authority to levy an unlimited tax rate, it being understood and acknowledged that the District's bonds shall be payable from and secured by a pledge of the proceeds of an ad valorem tax, without legal limit as to rate or amount. Further, in the event that the District determines that it is necessary to establish a combined debt service and operation and maintenance tax in excess of \$0.90 per \$100 in valuation in order to meet the District's financial obligations, the City agrees to consider in good faith an amendment of this Agreement to allow the District to establish a higher rate, based upon the specific facts and circumstances presented to the City by the District at such time.

5.02 Purpose for Bonds and Use of Bond Proceeds. The District will issue Bonds only for the purpose of purchasing and constructing or otherwise acquiring the Facilities or parts of the Facilities, parks and recreational facilities and eligible roads and appurtenances related thereto, and to make any and all necessary purchases, construction, improvements, extensions, additions, and repairs thereto, and purchase or acquire all necessary land, right-of-way, easements, sites, equipment, buildings, plants, structures, and facilities therefore within or without the boundaries of the District, and providing for developer interest and for any necessary capitalized interest and costs of issuance.

5.03 Bond Provisions. The District's Bonds shall expressly provide that the District reserves the right to redeem the Bonds on any interest-payment date subsequent to the fifteenth anniversary of the date of issuance without premium and will be sold only after the taking of public bid therefore. None of such Bonds, other than refunding bonds, will be sold for less than 95% of par; provided, however, that the net effective interest rate on Bonds so sold, taking into account any discount or premium as well as the interest rate borne by such bonds, will not exceed two percent 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 such bonds is given, and that bids for the Bonds will be received not more than forty-five days after notice of sale of the Bonds is given. The Bonds shall not have a maturity of more than twenty-five years and shall not provide for more than eighteen months of capitalized interest, unless required by the rules of the TCEQ. The District shall not issue Bonds more than twenty (20) years after the date of its creation, without the City's prior written consent.

5.04 Bonds as Obligation of District. Unless and until the City shall dissolve the District and assume the properties, assets, obligations and liabilities of the District, the Bonds of the District, as to both principal and interest, shall be and remain obligations solely of the District and shall never be deemed or construed to be obligations or indebtedness of the City; provided, however, that nothing herein shall limit or restrict the District's ability to pledge to or assign all or any portion of the Annual Payments to be made by the City to the District as provided herein, to the payment of the principal of, or redemption premium, if any, or interest on the Bonds or other District Obligations relating to the financing, acquisition or use of the Facilities. The Bonds shall not contain any pledge of the revenues from the operation of the Facilities other than the Annual Payments from the City.

5.05 Construction by Third Parties. From time to time, the District may enter into one or more agreements, (hereinafter, "Utility Development Agreement") with landowners or developers of property located within or in the vicinity of the District whereby such landowners or developers will undertake, on behalf of the District, to pre-finance and pre-construct, in one or more phases, all or any portion of the Facilities. Under the terms of each Utility Development Agreement, the landowners or developers will be obligated to finance and construct the Facilities in the manner which would be required by law if such work were being performed by the District. Each Utility Development Agreement will provide for the purchase of the Facilities from the landowners or developers using the proceeds of one or more issues of Bonds, as otherwise permitted by law and the applicable rules, regulations and guidelines of the applicable Approving Bodies.

ARTICLE VI

ANNUAL PAYMENTS AND DISTRICT TAXES

6.01 Calculation of Annual Payments. In consideration of the development of the land within the District and the related increase in the taxable value of such land to the City through the acquisition and construction of the Facilities by the District and to enhance the economic feasibility of the District and more equitably distribute among the taxpayers of the City and the District the burden of ad valorem taxes to be levied from time to time by the City and the

District, the City agrees to collect and pay to the District a portion of the ad valorem taxes collected by the City in future years on the land and improvements within the District (the "Annual Payment"). The Annual payment shall be an amount resulting from the following formula:

$$\text{City WS\&D Tax Rate} \times \text{District Taxable Assessed Valuation}/100$$

The Parties recognize that the City WS&D Tax Rate may increase or decrease over time. As such, the City shall annually reevaluate and determine the City WS&D Tax Rate for the purposes of this Agreement. The Parties shall use the City's most recent comprehensive Annual Financial Report and the District's most recent certified tax roll from the Montgomery County Appraisal District to determine the City WS&D Tax Rate. All Annual Payments received by the District from the City shall be deposited by the District into the District's debt service fund, to be used, along with any interest thereon, solely for the payment of the District's bonded indebtedness relating to the financing, construction, and acquisition of all or any portion of the Facilities.

6.02 Payment of Annual Payment. The Annual Payment shall begin on March 1 in the calendar year following the calendar year for which the District initially receives a tax roll from the Montgomery County Appraisal District and shall be payable each March 1 thereafter (the "Payment Date"), with each such Annual Payment being applicable to the calendar year preceding the calendar year of each such March 1 (e.g. if the District receives a tax roll for the calendar year 2008, the Annual Payment for such year will be due March 1, 2009. Each Annual Payment that is not paid on or before the Payment Date shall be delinquent and shall incur interest at the rate of one percent (1%) of the amount of the Annual Payment per month, for each month or portion thereof during which the Annual Payment remains unpaid. On September 1 of each calendar year the City shall cause to be paid to the District those portions of the Annual Payment which reflect collections made by the City subsequent to the Payment Date.

6.03 Supplemental Tax Rolls; Correction Tax Rolls; Adjustment to Annual Payment. The parties recognize and acknowledge that, from time to time, the Montgomery County Appraisal District may submit to the District one or more Supplemental Tax Rolls and/or Correction Tax Rolls and that each such Supplemental Tax Roll and/or Correction Tax Roll may affect the total value of taxable properties within the District for a particular year and therefore the Annual Payment due and payable by the City for such year. The District agrees that promptly upon receiving a Supplemental Tax Roll and/or Correction Tax Roll, the District shall deliver such Supplemental Tax Roll and/or Correction Tax Roll to the City. Promptly upon receiving a Supplemental Tax Roll and/or Correction Tax Roll from the District, the City shall recalculate the amount of such recalculated Annual Payment. Within forty-five (45) days from the date on which the District received notice of a recalculated Annual Payment, the City shall pay to the District the amount, if any, by which the recalculated Annual Payment exceeds the amount of the Annual Payment previously paid by the City to the District for the year in question, or the District shall pay to the City the amount, if any, by which the recalculated Annual Payment is less than the amount of the Annual Payment previously paid; provided, however, that if such amount in either instance is less than \$1,000.00, rather than payment within

such 45 days, the next Annual Payment shall be adjusted accordingly. The obligation of the City to make Annual Payments to the District shall terminate on (i) the date when all of the District Obligations, including all Bonds of the District, have been fully paid and discharged as to principal, redemption premium, if any, and interest, or (ii) the termination of the Agreement in accordance with Section 9.14 hereof, whichever occurs first. Nothing herein shall be deemed or construed to require that the City shall be or become liable for any debt or other obligations of the District including, without limitation, the payment of principal, redemption premium, if any, or interest on any Bonds until such time as the City dissolves the District and acquires the District Assets and assumes the District Obligations as provided by law and Article VII below.

6.04 Access to Records for Verifying Calculation of Annual Payments. The City shall maintain proper books, records and accounts of all ad valorem taxes levied by the City from time to time in the City's Department of Finance and Administration, shall provide the District an accounting together with each Annual Payment, and shall afford the District or its designated representatives reasonable access thereto for purposes of verifying the amounts of each Annual Payment or recalculated Annual Payment which is or becomes due and payable by the City hereunder. The District shall maintain proper books, records and accounts of all Bonds issued by the District and its debt service requirements.

6.05 District Taxes. The District is authorized to assess, levy and collect ad valorem taxes upon all taxable properties within the District to provide for (i) the payment in full of the District Obligations, including principal, redemption premium, if any, or interest on the District Obligations and to establish and maintain any interest and sinking fund, debt service fund or reserve fund and (ii) for maintenance purposes, all in accordance with applicable law. The parties agree that nothing herein shall be deemed or construed to prohibit, limit, restrict or otherwise inhibit the District's authority to levy ad valorem taxes or issue Bonds or District Obligations as the Board of Directors of the District from time to time in its sole discretion may determine to be necessary. The City and the District recognize and agree that all ad valorem tax receipts and revenues collected by the District, together with all Annual Payments, shall become the property of the District and may be applied by the District to the payment of all or any portion of all proper debts, obligations, costs and expenses of the District and may be pledged or assigned to the payment of all or any designated portion of the principal or redemption premium, if any, or interest on the District Obligations or otherwise in accordance with applicable law. Each party to this Agreement agrees to notify the other party as soon as is reasonably possible in the event it is ever made a party to or initiates a lawsuit for unpaid taxes.

6.06 Sale or Encumbrance of Facilities. It is acknowledged that the District may not dispose of or discontinue any portion of the Facilities without the City's prior written consent.

ARTICLE VII **DISSOLUTION OF THE DISTRICT**

7.01 Dissolution of District Prior to Retirement of Bonded Indebtedness. The City and the District recognize that, as provided in the laws of the State of Texas, the City has the right to abolish and dissolve the District and to acquire the District Assets and assume the

District Obligations. Notwithstanding the foregoing, the City agrees that it will not dissolve or attempt to dissolve, in whole or in part, the District until the following conditions have been met:

1. At least 90% of the District's Facilities have been developed; and
2. The Developer(s) developing the Facilities has/have received full payment by the District to the maximum extent permitted by the rules of the TCEQ or the City assumes any obligations for such payment by the District under such rules.

Upon dissolution of the District, the City shall acquire the District Assets and shall assume the District Obligations. If requested by the District, the City shall afford the District the opportunity to discharge any remaining District Obligations pursuant to any existing Utility Development Agreements of the District, by either (i) authorizing the District to sell its Bonds before or during a transition period prior to the effective date of dissolution as established by the City, or (ii) pursuant to Local Government Code Section 43.080, as amended, issuing and selling bonds of the City in at least the amount necessary to discharge the District Obligations, including those under any Utility Development Agreements.

7.02 Transition upon Dissolution. In the event all required findings and procedures for the dissolution of the District have been duly, properly and finally made and satisfied by the City, and unless otherwise mutually agreed by the City and the District pursuant to existing law, the District agrees that its officers, agents and representatives shall be directed to cooperate with the City in any and all respects reasonably necessary to facilitate the dissolution of the District and the transfer of the District Assets to, and the assumption of the District Obligations by, the City.

ARTICLE VIII

REMEDIES IN EVENT OF DEFAULT

The parties hereto expressly recognize and acknowledge that a breach of this Agreement by either party may cause damage to the non-breaching party for which there will not be an adequate remedy at law. Accordingly, in addition to all the rights and remedies provided by the laws of the State of Texas, in the event of a breach hereof by either party, the other party shall be entitled, but shall not be limited, to the equitable remedy of specific performance or a writ of mandamus to compel any necessary action by the breaching party. In the event that a party seeks a remedy as provided in this Article or any monetary damages as otherwise provided in this Agreement, the breaching party shall be required to pay for the non-breaching party's attorney's fees and court costs.

ARTICLE IX

MISCELLANEOUS PROVISIONS

9.01 Permits, Fees, Inspections. The District understands and agrees that all City ordinances and codes, including applicable permits, fees and inspections, shall be of full force and effect within its boundaries the same as to the other areas within the City's corporate limits, except to the extent inconsistent with the terms of this Agreement.

9.02 Force Majeure. If any party is rendered unable, wholly or in part, by force majeure to carry out any of its obligations under this Agreement, except the obligation to pay amounts owed or required to be paid pursuant to the terms of 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 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. As soon as reasonably possible after the occurrence of the force majeure relied upon, the party whose contractual obligations are affected thereby shall give notice and full particulars of such force majeure to the other party. Such cause, as far as possible, shall be remedied with all reasonable diligence. The term "force majeure," as used herein, shall include without limitation of the generality thereof, 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 the State of Texas or any civil or military authority other than a party to this Agreement, insurrections, riots, epidemics, landslides, lightning, earthquakes, fires, hurricanes, restraint of government and people, civil disturbances, explosions, breakage or accidents to machinery, pipelines or canals, partial or entire failure of water supply resulting in an inability to provide water necessary for operation of the water and sewer systems hereunder, and any other incapacities of any party, whether similar to those enumerated or otherwise, which are not within the control of the party claiming such inability, which such 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 the party having the difficulty, 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 demands of the opposing party when such settlement is unfavorable to it in the judgment of the party experiencing such difficulty.

9.03 Applicable Law. This Agreement shall be governed by the laws of the State of Texas without regard to conflict of law principles and no lawsuit shall be prosecuted on this Agreement except in a court of competent jurisdiction located in Montgomery County.

9.04 Approvals and Consents. Approvals or consents required or permitted to be given under this Agreement shall be evidenced by an ordinance, resolution or order adopted by the governing body of the appropriate party or by a certificate executed by a person, firm or entity previously authorized to give such approval or consent on behalf of the party. Approvals and consents shall be effective without regard to whether given before or after the time required for giving such approvals or consents.

9.05 Address and Notice. The Parties contemplate that they will engage in informal communications with respect to the subject matter of this Agreement. However, any formal notices or other communications ("Notice") required to be given by one party to another by this Agreement shall be given in writing addressed to the party to be notified at the address set forth below for such party: (a) by delivering the same in person; (b) by depositing the same in the United States Mail, certified or registered, return receipt requested, postage prepaid, addressed to the Party to be notified; (c) by depositing the same with Federal Express or another nationally recognized courier service guaranteeing "next day delivery," addressed to the party to be notified; or (d) by sending the same by facsimile with confirming copy sent by mail. Notice

deposited in the United States Mail in the manner herein above described shall be deemed effective from and after three (3) days after the date of such deposit. Notice given in any other manner shall be effective only if and when received by the party to be notified. For the purposes of notice, the addresses of the parties, until changed as provided below, shall be as follows:

City: City of Conroe
P.O. Box 3066
Conroe, Texas 77305-3066
Attn: City Administrator

Developer: David B. Hendricks
14405 Walters Road, Suite 800
Houston, Texas 77014

Houston Intercontinental Trade Center, L.P.
c/o REVISTA, Inc.
14405 Walters Road, Suite 800
Houston, Texas 77014
Attn: Michael P. Barsi, President

With copy to: Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056
Attn: Abraham I. Rubinsky

District: Montgomery County Municipal Utility District No. 126
c/o Schwartz, Page & Harding, LLP
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056
Attn: Abraham I. Rubinsky

The parties shall have the right from time to time to change their respective addresses, and each shall have the right to specify as its address any other address within the United States of America by giving at least ten (10) days written notice to the other parties. If any date or any period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the notice shall be extended to the first business day following such Saturday, Sunday or legal holiday.

9.06 Assignability. This Agreement may be assigned by either party upon notice in writing to the other party; provided, however, that no assignment shall be effective until the assignee shall have executed and delivered written acceptance of the terms and conditions of this Agreement to the nonassigning party.

9.07 No Additional Waiver Implied. The failure of either party to insist upon performance of any provisions of this Agreement shall not be construed as a waiver of the future performance of such provision by the other party.

9.08 Reservation of Rights. All rights, powers, privileges and authority of the parties hereto not restricted or affected by the express terms and provisions hereof are reserved by the parties and, from time to time, may be exercised and enforced by the parties.

9.09 Parties in Interest. This Agreement shall be for the sole and exclusive benefit of the parties hereto and shall not be construed to confer any rights upon any third parties.

9.10 Merger. This Agreement embodies the entire understanding between the parties and there are no representations, warranties or agreements between the parties covering the subject matter of this Agreement other than the consent ordinance between the City and the District. If any provisions of the consent ordinance appear to be inconsistent or in conflict with the provisions of this Agreement, then the provisions contained in this Agreement shall be interpreted in a way which is consistent with the consent ordinance.

9.11 Captions. The captions of each section of this Agreement are inserted solely for convenience and shall never be given effect in construing the duties, obligations or liabilities of the parties hereto or any provisions hereof, or in ascertaining the intent of either party, with respect to the provisions hereof.

9.12 Interpretations. This Agreement and the terms and provisions hereof shall be liberally construed to effectuate the purposes set forth herein and to sustain the validity of this Agreement.

9.13 Severability. If any provision of this Agreement is illegal, invalid, or unenforceable under present or future laws, then, and in that event, it is the intention of the parties hereto that the remainder of this Agreement shall not be affected.

9.14 Term and Effect. This Agreement shall remain in effect until the earlier to occur of (i) the dissolution of the District by the City or (ii) the expiration of forty (40) years from the date the District has issued Bonds.

9.15 Time. Time is of the essence in all things pertaining to the performance of this Agreement.

9.16 Further Documents. The parties agree that at any time after execution of this Agreement, they will, upon request of another party, execute and deliver such further documents and do such further acts and things as the other party may reasonably request in order to effectuate the terms of this Agreement.

9.17 Incorporation of Exhibits and Other Documents by Reference. All Exhibits and other documents attached to or referred to in this Agreement are incorporated herein by reference for the purposes set forth in this Agreement.


9.18 Authority for Execution. The City hereby certifies, represents, and warrants that the execution of this Agreement is duly authorized and adopted in conformity with the City

charter and City ordinances. The Developer hereby certifies, represents, and warrants that the execution of this Agreement is duly authorized and adopted in conformity with the articles of incorporation and bylaws or partnership agreements of such entities.

[SIGNATURES COMMENCE ON FOLLOWING PAGE]

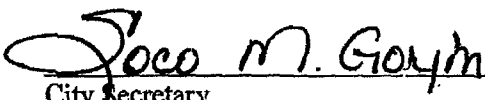
IN WITNESS WHEREOF, the undersigned parties hereto have executed this Agreement
as of the 13 day of March, 2008.

CITY OF CONROE, TEXAS



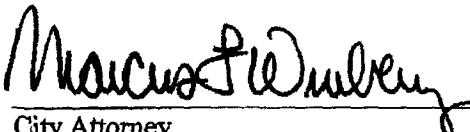
Mayor

ATTEST/SEAL;



City Secretary

APPROVED AS TO FROM:



City Attorney

David B Hendricks

DAVID B. HENDRICKS

HOUSTON INTERCONTINENTAL TRADE
CENTER, L.P. a Texas limited partnership

By: REVISTA, Inc. a Texas corporation and its
General Partner

By: Michael P. Barsi

Name: Michael P. Barsi

Title: President

Exhibit A

METES AND BOUNDS DESCRIPTION

293.492 ACRES IN THE

JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.492-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 175.1768-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006101070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006062871, ALL OF THAT CALLED 33.861-ACRE TRACT CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007009290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112578 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.492-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS;

BEGINNING at a 5/8-inch iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet J, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet I, Sheets 59 thru 65 of the Montgomery County Map Records, and continuing in all 1255.98 feet to a 5/8-inch iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'16" West, 1616.63 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 11°56'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following fifty (50) courses and distances:

- (4) South 87°23'59" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°18'55" East, 36.65 feet to a point;

- (11) South 23°02'23" East, 43.48 feet to a point;
- (12) South 32°41'37" East, 41.56 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 89°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.54 feet to a point;
- (20) North 15°23'27" East, 43.59 feet to a point;
- (21) North 11°14'01" East, 48.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.79 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 26.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 35.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 50°39'40" East, 31.93 feet to a point;
- (35) South 81°19'12" East, 21.88 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 15°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.78 feet to a point;

- (43) North 47°31'18" West, 36.54 feet to a point;
 - (44) North 51°00'12" West, 68.46 feet to a point;
 - (45) North 54°27'30" West, 53.57 feet to a point;
 - (46) North 50°14'59" West, 43.08 feet to a point;
 - (47) North 50°50'55" West, 63.18 feet to a point;
 - (48) North 45°44'33" West, 53.82 feet to a point;
 - (49) North 17°44'30" West, 55.91 feet to a point;
 - (50) North 04°00'03" West, 43.57 feet to a point;
 - (51) North 16°15'40" West, 51.84 feet to a point;
 - (52) North 15°27'23" West, 69.20 feet to a point;
 - (53) North 09°53'22" East, 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
 - (54) THENCE South 81°28'22" East, at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set for reference, and continuing in all 849.60 feet to a 5/8-inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
 - (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
 - (57) North 85°18'39" East, 103.76 feet to a point;
 - (58) South 87°41'11" East, 41.82 feet to a point;
 - (59) South 89°57'21" East, 52.34 feet to a point;
 - (60) South 83°58'25" East, 51.16 feet to a point;
 - (61) South 87°20'06" East, 50.00 feet to a point;
 - (62) North 85°40'28" East, 43.06 feet to a point;
 - (63) North 89°02'07" East, 48.48 feet to a point;
 - (64) South 89°59'11" East, 15.57 feet to a point;
 - (65) North 67°32'38" East, 22.66 feet to a point;
 - (66) North 02°29'35" East, 28.08 feet to a point;
 - (67) North 00°13'32" East, 29.04 feet to a point;
 - (68) North 67°39'40" West, 30.47 feet to a point;
 - (69) North 74°43'23" West, 56.56 feet to a point;
 - (70) North 75°25'23" West, 45.28 feet to a point;
 - (71) South 86°37'31" West, 74.43 feet to a point;

- (72) North 69°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.92 feet to a point;
- (74) North 86°09'04" West, 59.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.47 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'40" East, 229.43 feet along the east line of said Calfee Road to a 1/2-inch iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;

THENCE in a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:
- (78) North 21°10'19" East, 89.90 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-inch iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2-inch iron rod with cap stamped "Jeff Moon RPLS 4539" found for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 76°39'07" East, at 98.85 feet passing a PK Nail found for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod found;
- (82) THENCE South 77°19'32" East, 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9509572 of the Official Public Records of Real Property;
- (83) THENCE South 12°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-inch iron rod found, and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-inch iron found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-inch iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;
- (86) THENCE North 77°53'49" West, 2280.36 feet, along the common line of said 37.564-acre


tract and said 26.5516-acre tract, to a 1/2-inch iron rod found for the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;

- (87) THENCE South $11^{\circ}58'58''$ West, 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 3/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 92B, 93A, 93B, and 94A of the Montgomery County Map Records;
- (88) THENCE South $11^{\circ}12'47''$ West, 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being on the arc of a non-tangent curve to the right;

THENCE in a westerly direction, along the north line of said Longmire Way, the following six (6) courses and distances;

- (89) Along the arc of said curve to the right having a radius of 1990.56 feet, a central angle of $05^{\circ}37'51''$, an arc length of 195.63 feet, and a chord bearing North $74^{\circ}33'58''$ West, 195.55 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (90) Along the arc of said curve to the left having a radius of 824.29 feet, a central angle of $14^{\circ}21'06''$, an arc length of 206.47 feet, and a chord bearing North $78^{\circ}55'35''$ West, 205.93 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (91) Along the arc of said curve to the right having a radius of 1499.91 feet, a central angle of $07^{\circ}28'46''$, an arc length of 195.80 feet, and a chord bearing North $82^{\circ}21'44''$ West, 195.66 feet to a 5/8-inch iron rod found;
- (92) North $78^{\circ}37'21''$ West, 386.86 feet to a 1/2-inch iron rod found, at the beginning of a curve to the left;
- (93) Along the arc of said curve to the left having a radius of 2711.89 feet, a central angle of $04^{\circ}16'15''$, an arc length of 202.14 feet, and a chord bearing North $80^{\circ}45'28''$ West, 202.09 feet to a 1/2-inch iron rod found at a point of reverse curvature;
- (94) Along the arc of said curve to the right having a radius of 1997.82 feet, a central angle of $05^{\circ}38'44''$, an arc length of 196.85 feet, and a chord bearing North $80^{\circ}04'13''$ West, 196.77 feet to the POINT OF BEGINNING, containing a gross acreage of 293.492 acres of land.

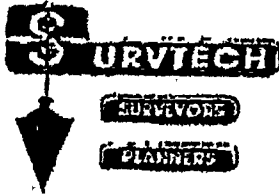
EDMINSTER, HINSHAW, RUSS AND ASSOCIATES, INC.


Piotr A. Debski, R.P.L.S.
Texas Registration No. 5902
10555 Westoffice Drive
Houston, Texas 77042
713-784-4500



Date: Jan 27, 2008
Job No: 071-018-00
File No: R:\2007\071-018-00\docs\technical\desc\293.492ac.doc

Exhibit B



"A Land Surveying Company"

February 2, 2000
A7AC0.21013

SEWAGE TREATMENT PLANT SITE

BEING a 0.210 acre tract of land situated in the Elijah Collard Survey, A-7, Montgomery County, Texas, and being out of and a part of a 41.663 acre tract recorded under Clerk's File No. 8824017, Real Property Records, Montgomery County, Texas. Being more particularly described as follows:

COMMENCING at a 1/2" iron rod found for the most northerly Northeast corner of said 41.663 acre tract as recorded under Clerk's File No. 8824017, Real Property Records, Montgomery County, Texas. Said iron rod being on the south right-of-way line of League Line Road (60 foot right-of-way);

THENCE N 73° 48' 41" W, along said right-of-way, a distance of 132.50 feet to a 5/8" iron rod set for corner;

THENCE S 15° 39' 09" W, leaving said right-of-way, a distance of 233.27 feet to a 5/8" iron rod set for corner, also being the POINT OF BEGINNING of said 0.210 acre tract;

THENCE S 15° 39' 09" W, a distance of 125.00 feet to a 5/8" iron rod set for corner;

THENCE N 73° 32' 11" W, a distance of 75.00 feet to a 5/8" iron rod set for corner;

THENCE N 15° 39' 09" E, a distance of 125.00 feet to a 5/8" iron rod set for corner;

THENCE S 73° 32' 11" E, a distance of 75.00 feet to the POINT OF BEGINNING, containing 0.210 acres of land, more or less.

EXHIBIT "D"

ORDINANCE NO. _____

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, GIVING ITS CONSENT TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT.

WHEREAS, the City of Conroe (the "City") received a Petition, attached hereto as Exhibit 'A' and made a part hereof, requesting its consent to the creation of a municipal utility district (to be known as Montgomery County Municipal Utility District No. 126) containing 293 acres, more or less, located within the corporate limits of the City, (the "Property") as more particularly described in the attached Exhibit 'B'; and

WHEREAS, Section 54.016 of the Texas Water Code and Section 42.042 of the Local Government Code provide that land within a City's corporate limits may not be included within a municipal utility district without the City's written consent; NOW THEREFORE;

BE IT ORDAINED BY THE CITY COUNCIL
OF THE CITY OF CONROE, TEXAS:

Section 1. This Ordinance when properly executed is the City's written consent to the creation of a municipal utility district ("MUD") to serve the Property. No further action shall be required on the part of the City to indicate such consent. This Ordinance shall likewise indicate the consent of the City for the MUD to annex or exclude contiguous land into or out of the MUD; provided, however, the MUD may not annex any land outside the Property without prior written approval of the City. Notwithstanding the foregoing, the Mayor is authorized to execute and deliver any additional documentation evidencing such consent as may be requested or required by the MUD or any regulatory authority having jurisdiction over such MUD.

Section 2. The MUD is authorized to exercise all powers granted to municipal utility districts or which may be hereinafter granted under the Constitution and the laws of the State of Texas, including, but not limited to, the power to provide water, wastewater and drainage facilities, parks and recreational facilities and roads; and to issue bonds for all such purposes, provided however, the exercise of such powers shall be subject to the conditions set forth in the Utility Services and Development Agreement dated March 13, 2008, made by and between the City of Conroe and David B. Hendricks and Houston Intercontinental Trade Center, L.P. which Agreement was entered into on behalf of and in contemplation of its assignment to the District. As soon as practical following its organization, the District shall accept the assignment of such Agreement and agree to be bound thereby. The District may not sell or issue bonds prior to accepting such assignment and making written acknowledgement of same to the City of Conroe.

Section 3. Upon confirmation of creation, the MUD shall notify the City of its confirmation and of any annexation or exclusion of property into or out of the MUD, and shall provide a map of the MUD to the City Secretary in Mylar, hard copy and electronic format.

PASSED AND APPROVED on _____, 2008.

CITY OF CONROE, TEXAS

Mayor

ATTEST:

City Secretary

Attachments:

Exhibit A Petition for Consent to Creation

Exhibit B Description of Property

Exhibit C Consent Conditions

**ASSIGNMENT OF UTILITY SERVICES AND DEVELOPMENT AGREEMENT BETWEEN
THE CITY OF CONROE, TEXAS,
DAVID B. HENDRICKS AND HOUSTON INTERCONTINENTAL
TRADE CENTER, L.P.
(ON BEHALF OF PROPOSED MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 126)**

1. DAVID B HENDRICKS and HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. a Texas limited partnership (collectively the "Assignors") hereby assign unto MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 ("Assignee") their rights, benefits and obligations, in and to that certain Utility Services and Development Agreement between the City of Conroe, Texas, and the Assignors, dated March 13 2008, (the "Utility Services Agreement")
2. This Assignment is subject to all terms and provisions of the Utility Services Agreement and is authorized by Section 9 06 of said Utility Services Agreement
3. By its execution of this Assignment, Assignee accepts the terms and conditions of the Utility Services Agreement and agrees to assume Assignors covenants, duties and obligations under the Utility Services Agreement and Assignors are hereby released from their obligations under the Utility Services Agreement


WITNESS THE EXECUTION HEREOF in multiple originals, this the 30th day of March, 2011



DAVID B. HENDRICKS


HOUSTON INTERCONTINENTAL TRADE CENTER,
L.P. a Texas limited partnership

By: REVISTA, Inc. a Texas corporation
and its General Partner

By: 

Michael P. Barsi
President

MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 126

By: 
Gary Calfee, President
Board of Directors

245835-1

**SUPPLEMENT TO UTILITY SERVICES
AND DEVELOPMENT AGREEMENT**

THIS SUPPLEMENT TO UTILITY SERVICES AND DEVELOPMENT AGREEMENT (this "Supplement") is made and entered into as of the 8th day of November, 2012, by and between the **CITY OF CONROE, TEXAS**, a municipal corporation and home-rule city located in Montgomery County, Texas (the "City") and **MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126**, a body politic and corporate and governmental agency of the State of Texas organized under the provisions of Article XVI, Section 59 of the Texas Constitution and Chapters 49 and 54, Texas Water Code, as amended (the "District") (the City and District are sometimes referred to individually as a "Party" and collectively as the "Parties").

RECITALS

1. The City and David B. Hendricks and Houston Intercontinental Trade Center, Ltd. (collectively, referred to herein as "Developer") previously entered into that certain Utility Services and Development Agreement, dated March 13, 2008 (the "Agreement"), to address, among other matters, the City's annexation of the Property (as defined in the Agreement) and the subsequent creation, development and operation of the District.

2. Following the execution of the Agreement, the City (i) annexed the Property pursuant to that certain Ordinance No. 1847-08 dated May 22, 2008, and (ii) consented to the creation of the District pursuant to that certain Ordinance No. 1848-08 dated May 22, 2008, copies of which Ordinances are attached hereto as Exhibit 'A'.

3. Subsequent to the City's annexation of the Property and consent to the creation of the District, on July 3, 2008, the Developer submitted a petition to the Texas Commission on Environmental Quality (the "TCEQ") for creation of the District as an "in-City" district. The TCEQ approved the creation of the District pursuant to that certain Order Granting the Petition for Creation of the District and Appointing Temporary Directors dated November 20, 2008, a copy of which is attached hereto as Exhibit 'B'.

4. Following the TCEQ's creation of the District, an election was held on May 9, 2009, to confirm the creation of the District, among other matters. The election resulted in a majority vote for the creation of the District and such results were canvassed by the Board of Directors of the District on May 14, 2009, pursuant to that certain Order Canvassing Returns and Declaring Results of Confirmation and Directors Election and Bond and Maintenance Tax Election, a copy of which is attached as Exhibit 'C'.

5. After the creation of the District was confirmed, the Developer assigned its rights, benefits and obligations under the Agreement to the District pursuant to that certain Assignment of Utility Services and Development Agreement between the City, the Developer and the District dated March 30, 2011, a copy of which is attached as Exhibit 'D'.

6. The Parties now desire to (i) confirm that the Agreement is not an 'allocation agreement' subject to Section 54.016(f), Texas Water Code, as amended ("Section 54.016(f)"), and (ii) memorialize their agreement to introduce and/or support the passage of legislation during the 2013 Legislative Session that will specifically provide that Section 54.016(f) does not apply to the District.

AGREEMENT

NOW, THEREFORE, FOR AND IN CONSIDERATION OF THE PREMISES and of the promises and mutual obligations, covenants and benefits set forth in this Supplement, the Parties agree as follows:

Section 1. Recitals. The above recitals are incorporated in, and made a part of, this Supplement for all purposes as though fully set forth herein.

Section 2: Definitions. Unless otherwise specifically set forth in this Supplement, all capitalized terms used herein shall have the meanings set forth in the Agreement.

Section 3: No Allocation Agreement. The Parties acknowledge and agree that the Agreement, which (i) was approved and executed prior to the City's consent to the creation of the District and (ii) applies to a district that was never located outside the boundaries of the City, is not an 'allocation agreement' as such term is defined in Section 54.016(f). The Parties hereby agree to forever waive any and all rights they may now or in the future have arising under or out of Section 54.016(f) to contest the levy of the ad valorem tax rates imposed by either the City or the District. Nothing herein shall be deemed to substantively alter or amend the provisions of the Utility Services and Development Agreement, it being the intent of the parties to clarify their mutual understanding and agreement concerning the application of Section 54.016(f).

Notwithstanding the contrary intent of the Parties, if there is a determination that the Agreement does constitute an 'allocation agreement' within the meaning of Section 54.016(f), then the Agreement shall be terminated and the Parties agree to enter into such subsequent agreement(s) as may be necessary to implement the intent of the Agreement as nearly as possible without creation of an "allocation agreement". Each Party agrees to cooperate with the other to implement the intent of this paragraph.

Section 4: Future Legislation. The Parties acknowledge and agree to introduce and/or support legislation during the 2013 Legislative Session that will specifically provide that Section 54.016(f) does not apply to the District. The Parties shall use their best efforts to cooperate in the legislative process and shall provide any and all necessary assistance (financial, political or otherwise) to ensure that such legislation is passed by the 83rd Texas Legislature.

Section 5: Parties in Interest. The Parties acknowledge and agree that the Agreement is for the sole and exclusive benefit of the Parties and shall not be construed to confer any benefit or rights upon any other party.

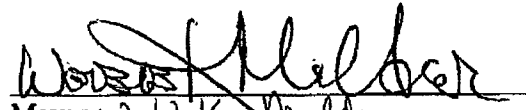
Section 6: Continuing Effect. Except as modified in this Supplement, all terms and provisions of the Agreement shall remain in full force and effect without modification. The terms of this Supplement shall control over any conflicts between the terms of the Agreement and this Supplement.

Section 7: Counterparts. This First Amendment may be executed in one or more original or facsimile counterparts, each of which shall be deemed an original and all of which together shall constitute but one and the same document.

[SIGNATURES COMMENCE OF THE FOLLOWING PAGE]

IN WITNESS WHEREOF, the undersigned parties hereto have executed this Supplement as of the 8th day of November, 2012.

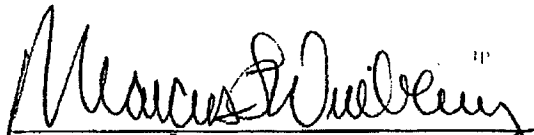
CITY OF CONROE, TEXAS


Mayor Webb K. Melder

ATTEST/SEAL:


City Secretary Mark S. Porter

APPROVED AS TO FROM:


City Attorney Marcus L. Winberry

MONTGOMERY COUNTY MUNICIPAL
UTILITY DISTRICT NO. 126

By: 
Gary Calfee, President
Board of Directors

296868_2

Exhibit A

CERTIFICATE FOR ORDINANCE

I.

On the 22 day of May, 2008, the City Council of the City of Conroe, Texas, consisting of the following qualified members, to-wit: Webb K. Melder, Mayor; Council Members Jerry Streater, Pat George and Toby Powell, did convene in public session in the Council Chambers of the City Hall at 300 West Davis in Conroe, Texas. The roll being first called, a quorum was established, all members being present except the following, to wit: Jay Ross Martin and Jim Gentry. The Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

II.

WHEREUPON, AMONG OTHER BUSINESS transacted, the Council considered adoption of the following written Ordinance, to-wit:

ORDINANCE NO. 1847-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, EXTENDING THE BOUNDARIES OF THE CITY OF CONROE, TEXAS, BY ANNEXATION OF CERTAIN HEREINAFTER DESCRIBED ADJACENT AND CONTIGUOUS TERRITORY; APPROVING A SERVICE PLAN FOR SUCH TERRITORY; MAKING FINDINGS INCIDENT TO SUCH ANNEXATION; PROVIDING FOR EFFECTIVE DATE AND ORDAINING OTHER RELATED MATTERS

III.

Upon motion of Council Member Streater, seconded by Council Member Powell, all members present voted for adoption of the Ordinance, except the following: N/A. A majority of those Council Members present having voted for adoption, the presiding officer declared the Ordinance passed and adopted.

A true, full and correct copy of the Ordinance adopted at the Meeting is attached to and follows this Certificate.

SIGNED AND SEALED this 22 day of May, 2008.


Soco M. Gorjon, Assistant City Secretary

ORDINANCE NO. 1847-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, EXTENDING THE BOUNDARIES OF THE CITY OF CONROE, TEXAS, BY ANNEXATION OF CERTAIN HEREINAFTER DESCRIBED ADJACENT AND CONTIGUOUS TERRITORY; APPROVING A SERVICE PLAN FOR SUCH TERRITORY; MAKING FINDINGS INCIDENT TO SUCH ANNEXATION; PROVIDING FOR EFFECTIVE DATE AND ORDAINING OTHER RELATED MATTERS.

* * * * *

WHEREAS, the territory described in Exhibit A to this ordinance is adjacent and contiguous to the existing boundaries of the City of Conroe, Texas and is wholly located within the extraterritorial jurisdiction of the City; and

WHEREAS, the owners of the real property have petitioned and requested its annexation to the City; and

WHEREAS, prior to the institution of annexation proceedings the City Council did conduct two separate public hearings on the proposed annexation of the territory described in Exhibit A, the first such public hearing having occurred on April 23, 2008, and the second on April 24, 2008, both such public hearing dates being within the period on or after the 40th day but before the 20th day prior to the institution of annexation proceedings; and

WHEREAS, notice of the public hearings was published in the Courier, a newspaper of general circulation within the City of Conroe, Montgomery County, Texas, on April 6, 2008; and

WHEREAS, notice of the public hearings was posted on the City of Conroe website on April 6, 2008 and remained continually posted on such website through April 24, 2008; and

WHEREAS, a proposed annexation service plan for the territory was prepared and filed with the City Secretary prior to the publication of the notice of public hearings and has since remained continuously on file with the City Secretary and has been available for public inspection during regular business hours at all times following the publication of the notice of public hearings; and

WHEREAS, annexation of the territory described in Exhibit A is authorized by Sec. 1.04 of the Home Rule Charter of the City of Conroe;

NOW THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS:

Section 1. That the recitals set forth in the preamble to this ordinance are hereby adopted as findings of the City Council.

Section 2. That the territory more particularly described in Exhibit A attached hereto, which description is incorporated herein by reference, is hereby annexed to the City of Conroe, Texas and the boundaries of the municipality are hereby extended to incorporate such territory within the City for general municipal purposes.

Section 3. The service plan for such territory attached hereto as Exhibit B and incorporated herein by reference is hereby approved. Full municipal services shall be provided in the annexed territory in conformity with such service plan.

Section 4. The annexed territory is included within Montgomery County Emergency Services District No. 1. The City Council finds that it is in the public interest to require that the territory be disannexed and removed from the territory of the Emergency Services District and orders the disannexation of the territory from the District on or before December 31, 2008.

Section 5. This ordinance shall not repeal, impair, modify, or in anywise affect any other ordinance annexing territory to the City of Conroe, whether finally passed or otherwise. The procedure initiated hereby and the annexation proceedings instituted hereunder shall be independent of any other proposed and pending annexation of such territory, and such other proceedings shall not be affected hereby.

Section 6. Should any section or part of this ordinance be held unconstitutional, illegal, or invalid, or the application thereof ineffective or inapplicable as to any territory, such illegality, unconstitutionality, invalidity, or ineffectiveness of such section or part shall in no wise affect, impair, or invalidate the remaining portion or portions thereof, but as to such remaining portion or portions, the same shall be and remain in full force and effect; and should this ordinance for any reason be ineffective as to any part of the area hereby annexed to the City of Conroe, such ineffectiveness of this ordinance as to any such part or parts of any such area shall not affect the effectiveness of this ordinance as to all of the remainder of such area, and the City Council hereby declares it to be its purpose to annex to the City of Conroe every part of the areas described in Exhibit "A", of this ordinance, regardless of whether any other part of such described area is hereby effectively annexed to the City. Provided, further, that if there is included in the description of territory set out in Exhibit "A" of this ordinance to be hereby annexed to the City of Conroe any lands or area which are presently part of and included in the limits of any other city, town, or village, or which are not within the jurisdiction or power of the City of Conroe to annex, the same is hereby excluded and excepted from the territory to be hereby annexed as fully as if such excluded and excepted areas were expressly described herein.


Section 7. This ordinance shall be effective immediately upon adoption.

PASSED AND APPROVED this the 22 day of May, 2007.


WEBB K. MELDER, Mayor

APPROVED AS TO FORM:

ATTEST:


MARCUS L. WINBERRY, City Attorney

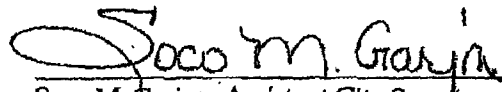

Soco M. Gorjon, Assistant City Secretary

EXHIBIT A

Metes & Bounds Description
Annexation Tract 2008-01

BEING 296.51 ACRES OF LAND LOCATED IN THE A-7 ELIJAH
COLLARD SURVEY, AND THE A-190 JAMES EDWARD SURVEY IN
MONTGOMERY COUNTY, TEXAS AND MORE PARTICULARLY
DESCRIBED AS FOLLOWS:

BEGINNING at a 5/8-inch iron rod for corner on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet J, Sheets 161 thru 163 of the Montgomery County Map Records;

(1) (1, E.H.R.&A. INC.) THENCE: N 12°45'59" E (Call North 12°45'59" East, 1255.98 feet), along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet I, Sheets 59 thru 65 of the Montgomery County map Records, and continuing in all 1255.98 feet to a 5/8-inch iron rod for the northeast corner of said Longmire on Lake Conroe Section 3;

(2) (2, E.H.R.&A. INC.) THENCE: N 77°12'16" W (Call North 77°12'16" West, 1616.63 feet), along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" being an interior corner of said Longmire on Lake Conroe Section 3;

(3) (3, E.H.R.&A. INC.) THENCE: N 11°56'28" E (Call North 11°56'28" East, 565.74 feet), 565.74 feet along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, also being on the 201-foot contour line;

THENCE: along the 201-foot contour line, the following fifty (50) courses and distances;

(4) (4, E.H.R.&A. INC.) THENCE: S 87°23'59" E (Call South 87°23'59" East, 33.75 feet), at 33.75 feet to a point;

(5) (5, E.H.R.&A. INC.) THENCE: N 60°22'00" E (Call North 60°22'00" East, 14.06 feet), at 14.06 feet to a point;

(6) (6, E.H.R.&A. INC.) THENCE: S 88°53'51" E (Call South 88°53'51" East, 14.40 feet), at 14.40 feet to a point;

- (7) (7, E.H.R.&A. INC.) THENCE: S 44°41'08" E (Call South 44°41'08" East, 14.73 feet), at 14.73 feet to a point;
- (8) (8, E.H.R.&A. INC.) THENCE: S 25°42'16" E (Call South 25°42'16" East, 23.63 feet), at 23.63 feet to a point;
- (9) (9, E.H.R.&A. INC.) THENCE: S 21°31'26" E (Call South 21°31'26" East, 48.80 feet), at 48.80 feet to a point;
- (10) (10, E.H.R.&A. INC.) THENCE: S 24°18'55" E (Call South 24°18'55" East, 36.65 feet), at 36.65 feet to a point;
- (11) (11, E.H.R.&A. INC.) THENCE: S 23°02'23" E (Call South 23°02'23" East, 43.48 feet), at 43.48 feet to a point;
- (12) (12, E.H.R.&A. INC.) THENCE: S 32°41'37" E (Call South 32°41'37" East, 41.56 feet), at 41.56 feet to a point;
- (13) (13, E.H.R.&A. INC.) THENCE: S 39°04'34" E (Call South 39°04'34" East, 23.02 feet), at 23.02 feet to a point;
- (14) (14, E.H.R.&A. INC.) THENCE: S 43°05'41" E (Call South 43°05'41" East, 23.55 feet), at 23.55 feet to a point;
- (15) (15, E.H.R.&A. INC.) THENCE: S 89°57'44" E (Call South 89°57'44" East, 22.50 feet), at 22.50 feet to a point;
- (16) (16, E.H.R.&A. INC.) THENCE: N 62°41'04" E (Call North 62°41'04" East, 21.03 feet), at 21.03 feet to a point;
- (17) (17, E.H.R.&A. INC.) THENCE: N 32°09'28" E (Call North 32°09'28" East, 44.39 feet), at 44.39 feet to a point;
- (18) (18, E.H.R.&A. INC.) THENCE: N 10°10'15" W (Call North 10°10'15" West, 36.41 feet), at 36.41 feet to a point;
- (19) (19, E.H.R.&A. INC.) THENCE: N 09°26'25" W (Call North 09°26'25" West, 45.54 feet), at 45.54 feet to a point;
- (20) (20, E.H.R.&A. INC.) THENCE: N 15°23'27" E (Call North 15°23'27" East, 43.59 feet), at 43.59 feet to a point;

- (21) (21, E.H.R.&A. INC.) THENCE: N 11°14'01" E (Call North 11°14'01" East, 48.40 feet), at 48.40 feet to a point;
- (22) (22, E.H.R.&A. INC.) THENCE: N 13°00'46" E (Call North 13°00'46" East, 21.26 feet), at 21.26 feet to a point;
- (23) (23, E.H.R.&A. INC.) THENCE: N 10°49'35" E (Call North 10°49'35" East, 30.79 feet), at 30.79 feet to a point;
- (24) (24, E.H.R.&A. INC.) THENCE: N 32°19'05" E (Call North 32°19'05" East, 12.24 feet), at 12.24 feet to a point;
- (25) (25, E.H.R.&A. INC.) THENCE: N 58°33'18" E (Call North 58°33'18" East, 11.79 feet), at 11.79 feet to a point;
- (26) (26, E.H.R.&A. INC.) THENCE: S 80°41'18" E (Call South 80°41'18" East, 26.94 feet), at 26.94 feet to a point;
- (27) (27, E.H.R.&A. INC.) THENCE: S 63°13'35" E (Call South 63°13'35" East, 31.75 feet), at 31.75 feet to a point;
- (28) (28, E.H.R.&A. INC.) THENCE: S 56°59'25" E (Call South 56°59'25" East, 57.54 feet), at 57.54 feet to a point;
- (29) (29, E.H.R.&A. INC.) THENCE: S 59°37'32" E (Call South 59°37'32" East, 54.26 feet), at 54.26 feet to a point;
- (30) (30, E.H.R.&A. INC.) THENCE: S 59°24'03" E (Call South 59°24'03" East, 33.57 feet), at 33.57 feet to a point;
- (31) (31, E.H.R.&A. INC.) THENCE: S 57°44'53" E (Call South 57°44'53" East, 37.89 feet), at 37.89 feet to a point;
- (32) (32, E.H.R.&A. INC.) THENCE: S 58°14'18" E (Call South 58°14'18" East, 35.57 feet), at 35.57 feet to a point;
- (33) (33, E.H.R.&A. INC.) THENCE: S 59°55'00" E (Call South 59°55'00" East, 46.09 feet), at 46.09 feet to a point;
- (34) (34, E.H.R.&A. INC.) THENCE: S 50°39'40" E (Call South 50°39'40" East, 31.93 feet), at 31.93 feet to a point;

- (35) (35, E.H.R.&A. INC.) THENCE: S 81°19'12" E (Call South 81°19'12" East, 21.88 feet), at 21.88 feet to a point;
- (36) (36, E.H.R.&A. INC.) THENCE: N 34°51'06" E (Call North 34°51'06" East, 20.55 feet), at 20.55 feet to a point;
- (37) (37, E.H.R.&A. INC.) THENCE: N 15°39'43" E (Call North 15°39'43" East, 23.19 feet), at 23.19 feet to a point;
- (38) (38, E.H.R.&A. INC.) THENCE: N 27°35'55" W (Call North 27°35'55" West, 25.09 feet), at 25.09 feet to a point;
- (39) (39, E.H.R.&A. INC.) THENCE: N 45°59'51" W (Call North 45°59'51" West, 31.29 feet), at 31.29 feet to a point;
- (40) (40, E.H.R.&A. INC.) THENCE: N 38°24'53" W (Call North 38°24'53" West, 41.42 feet), at 41.42 feet to a point;
- (41) (41, E.H.R.&A. INC.) THENCE: N 48°11'04" W (Call North 48°11'04" West, 42.03 feet), at 42.03 feet to a point;
- (42) (42, E.H.R.&A. INC.) THENCE: N 52°44'02" W (Call North 52°44'02" West, 37.78 feet), at 37.78 feet to a point;
- (43) (43, E.H.R.&A. INC.) THENCE: N 47°31'18" W (Call North 47°31'18" West, 36.54 feet), at 36.54 feet to a point;
- (44) (44, E.H.R.&A. INC.) THENCE: N 51°00'12" W (Call North 51°00'12" West, 68.46 feet), at 68.46 feet to a point;
- (45) (45, E.H.R.&A. INC.) THENCE: N 54°27'30" W (Call North 54°27'30" West, 53.57 feet), at 53.57 feet to a point;
- (46) (46, E.H.R.&A. INC.) THENCE: N 50°14'59" W (Call North 50°14'59" West, 43.08 feet), at 43.08 feet to a point;
- (47) (47, E.H.R.&A. INC.) THENCE: N 50°50'55" W (Call North 50°50'55" West, 63.18 feet), at 63.18 feet to a point;
- (48) (48, E.H.R.&A. INC.) THENCE: N 45°44'33" W (Call North 45°44'33" West, 53.82 feet), at 53.82 feet to a point;

- (49) (49, E.H.R.&A. INC.) THENCE: N 17°44'30" W (Call North 17°44'30" West, 55.91 feet), at 55.91 feet to a point;
- (50) (50, E.H.R.&A. INC.) THENCE: N 04°00'03" W (Call North 04°00'03" West, 43.57 feet), at 43.57 feet to a point;
- (51) (51, E.H.R.&A. INC.) THENCE: N 16°15'40" W (Call North 16°15'40" West, 51.84 feet), at 51.84 feet to a point;
- (52) (52, E.H.R.&A. INC.) THENCE: N 15°27'23" W (Call North 15°27'23" West, 69.20 feet), at 69.20 feet to a point;
- (53) (53, E.H.R.&A. INC.) THENCE: N 09°53'22" E (Call North 09°53'22" East, 38.80 feet), at 38.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
- (54) (54, E.H.R.&A. INC.) THENCE: S 81°28'22" E (Call South 81°28'22" East, 849.60 feet), at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" for reference, and continuing in all 849.60 feet to a 5/8-inch iron rod for the southeast corner of said Pebble Glen on the Lake;
- (55) (55, E.H.R.&A. INC.) THENCE: N 11°49'44" E (Call North 11°49'44" East, 1012.69 feet), along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- (56) (C.O.C.) THENCE: N 14°40'50" ^EW, at approximately 115.91 feet, to a point for corner along the east line of Calfee Road (60-foot wide right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of Montgomery County Deed Records, also being along the 201-foot contour line;
- (57) (77, E.H.R.&A. INC.) THENCE: N 11°11'40" E (Call North 11°11'40" East, 229.43 feet), at 229.43 feet along the east line of said Calfee Road to a 3/4-inch iron rod, being the southwest corner of the aforementioned 23.419-acre tract;
- THENCE: In a northerly direction along the common line of said Calfee Road and Said 23.419-acre tract, the following three (3) courses and distances;
- (58) (78, E.H.R.&A. INC.) THENCE: N 21°10'19" E (Call North 21°10'19" East, 89.90 feet), at 89.90 feet to a PK Nail;
- (59) (79, E.H.R.&A. INC.) THENCE: N 51°27'01" E (Call North 51°27'01" East, 105.82 feet), at 105.82 feet to a 5/8-inch iron rod;

(60) (80, E.H.R.&A. INC.) THENCE N 12°47'09" E (Call North 12°47'09" East, 328.16 feet), at 328.16 feet to a point on the southwest corner of League Line Road (60-foot right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2 -inch iron rod with cap stamped "Jeff Moon RPLS4539" for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears N 12°47'09" E, 133.02 feet;

(61) (81, E.H.R.&A. INC.) THENCE S 76°39'07" E (Call South 76°39'07" East, 1082.79 feet), at 98.85 feet passing a FK Nail for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod;

(62) (82, E.H.R.&A. INC.) THENCE S 77°19'32" E (Call South 77°19'32" East, 980.27 feet), at 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9509572 of the Official Public Records of Real Property;

(63) (83, E.H.R.&A. INC.) THENCE S 12°09'43" W (Call South 12°09'43" West, 485.18 feet), along the common line of said remainder tract and said 23.419-acre, at 484.50 feet passing a 5/8-inch iron rod and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" for the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 468, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;

(64) (84, E.H.R.&A. INC.) THENCE S 77°02'20" E (Call South 77°02'20" East, 2149.46 feet), at 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap for the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property, also being a point along the northern line and a corner for the existing City Limits of Conroe as established by City of Conroe Ordinance No. 1669-04, having a Texas State plane Coordinate value of Northing (y)=10,133,034.365, Easting (x)=3,810,788.489 as measured by GPS;

(65) (85, E.H.R.&A. INC.) THENCE S 12°12'48" W (Call South 12°12'48" West, 1791.25 feet), along the common line of said existing City Limits of Conroe, said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564 acre tract, at 428.83 feet passing a 1/4-inch iron rod marking the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2 Iron rod marking the common east corner of said 33.861-acre tract and said 37.564-acre tract, at 1118.58 feet passing a corner of said City Limits of Conroe, and continuing in all 1791.25 feet to a FK Nail marking the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract

City of Conroe | Metes & Bounds Description Annexation Tract 2008-01

recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;

- (56) (86, E.H.R.&A. INC.) THENCE: N 77°53'49" W (Call North 77°53'49" West, 2280.36 feet), at a distance of 2280.36 feet, along the common line of said 37.564-acre tract and said 26.5516 acre tract, to a 1/4-inch iron rod marking the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;
- (67) (87, E.H.R.&A. INC.) THENCE: S 11°58'58" W (Call South 11°58'58" West, 507.48 feet), at a distance of 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 1/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of a 74.7657-acre subdivision known as The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 92B, 93A, 93B and 94A of Montgomery County Map Records;
- (68) (88, E.H.R.&A. INC.) THENCE: S 11°12'47" W (Call South 11°12'47" West, 1416.70 feet), at a distance of 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being the northeast corner of a 1.908-acre tract, recorded under Montgomery County Clerk's File No. 9536930, also being on the arc of a non-tangent curve to the right;
- (69) (A.E.S.C.) THENCE: S 11°12'47" W (Call N 14°43'21" E, 60.01 feet), at a distance of 60.01 feet, to a point being the southeast corner of said 1.908-acre tract, being on the arc of a non-tangent curve to the right from which a point for the southwest corner of said 74.7657-acre subdivision known as The Estate of Longmire on Lake Conroe, bears S 11°12'47" W (Call N 14°43'21" E, 9.99 feet) 9.99 feet.
- (70) (A.E.S.C.) THENCE: Along the arc of said non tangent curve to the right having a radius of 2050.56 feet, a central angle of 5°40'17", an arc length of 202.98 feet, and a chord bearing of N 74°37'39" W (Call chord bearing of S 71°04'37" E, 203.44 feet), at 202.89 feet to a point for corner, also being at a point of reverse curvature;
- (71) (A.E.S.C.) THENCE: Along the arc of said reverse curve to the left having a radius of 764.29 feet, a central angle of 14°21'05", an arc length of 191.44 feet, and a chord bearing of N 78°55'01" W (Call chord bearing of S 75°24'37" E, 190.94 feet), at 190.94 feet to a point for corner and beginning a point of reverse curvature;
- (72) (A.E.S.C.) THENCE: Along the arc of said curve to the left having a radius of 1559.91 feet, a central angle of 7°28'46", an arc length of 203.63 feet, and a chord bearing of N 82°21'11" W (Call chord bearing of S 78°50'47" E, 203.49 feet), at 203.49 feet to a point for corner;
- (73) (A.E.S.C.) THENCE: N 78°36'48" W (Call S 75°06'24" E, 386.86 feet), at a distance of 386.86 feet to a point for corner and beginning a curve to the left;

(74) (A.E.S.C.) THENCE: Along the arc of said curve to the left having a radius of 2651.89 feet, a central angle of $4^{\circ}16'15''$ an arc length of 197.68 feet, and a chord bearing of $N 80^{\circ}44'56'' W$ (Call chord bearing of $S 77^{\circ}14'32'' E$, 197.63 feet), at 197.63 feet to a point for corner, also being a point of reverse curvature;

(75) (A.E.S.C.) THENCE: Along the arc of said curve to the right having a radius of 2057.82 feet, a central angle of $05^{\circ}38'46''$ an arc length of 202.78 feet, and a chord bearing of $N 80^{\circ}03'40'' W$ (Call chord bearing of $S 76^{\circ}33'16'' E$, 202.70 feet), at 202.70 feet to a point for corner, being the southwest corner of said 1.908-acre tract, also being a point for corner of a 43.537-acre subdivision known as White Oak Ranch, Section One, plat of which is recorded in File # 2001-060905, Cabinet Q, Sheets 75-76 of Montgomery County Map Records;

(76) (A.E.S.C.) THENCE: $N 12^{\circ}43'59'' E$ (Call $S 16^{\circ}14'23'' W$, 60.00 feet), crossing Longmire Way at a distance of 60.00 feet to a point being the northwest corner of said 1.908-acre tract and beginning a curve to the left and being the southwest corner of said 53.2175 acre tract; being a POINT of BEGINNING of the herein described acreage, in all containing 296.51 acres of land, more or less;

Compiled By:

Community Development, Engineering Division

Project No. 2008-013-Annexation Study-Hendricks Tract (rev 20070420)

April 20, 2008

THE FOLLOWING LEGAL DESCRIPTION IS ISSUED FOR THE PURPOSE OF ATTACHMENT TO ANNEXATION DOCUMENTS. IT SHOULD NOT BE USED FOR TITLE TRANSFER. THE DATUM FOR ALL BEARINGS GIVEN IS NAD_1983_STATEPLANE_Texas_CENTRAL_FIPS_4203. ALL DISTANCES ARE GIVEN IN U.S. SURVEY FEET. ALL "CALLED" BEARINGS SHOWN ARE AS FOUND FROM RECORDED DEEDS OR ANNEXATION ORDINANCES. NO REPRESENTATION OF AN "ON THE GROUND" SURVEY IS MADE. THIS INSTRUMENT INCLUDES LANDS THAT ARE SUBJECT TO CONSENT OF ANNEXATION BECAUSE OF HOLDING TAX EXEMPTIONS FOR AGRICULTURAL, TIMBER AND WILDLIFE MANAGEMENT USES. SUCH CONSENT WAS OBTAINED UPON PETITION OF ANNEXATION BY LANDOWNER.

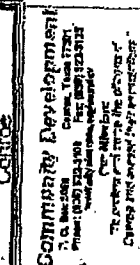


EXHIBIT A
PROPOSED ANNEXATION PARCEL 2008-01
296.51 AC.

70089-1

1999

Legend

— Street

— Railroad

City Limits

Annexation Parcel

ETJ

2008-01

Legend

Results

Fig 3

EXHIBIT B

City of Conroe Annexation Service Plan For Annexation Parcel 2008-01

I. TERRITORY

This service plan is applicable to 296.51 acres of land, more or less, out of the James Edwards Survey, A-190, and Elijah Collard Survey, A-2, in Montgomery County, Texas. The territory is located in the general vicinity of the southwest corner of the intersection of League Line Road and Longmire Road. A map of the area is attached hereto and incorporated herein by reference. The territory is presently undeveloped land.

II. GENERAL PROVISIONS

a. Effective Term. This service plan shall be in effect for a ten-year period commencing on the effective date of the annexation.

b. Amendment or Renewal. This service plan may be amended from time to time as provided by Local Government Code, Sec. 43.056(k). Renewal of the service plan shall be at the sole option of the City Council.

c. Intent. It is the intent of the City of Conroe that this service plan shall provide for the delivery of full municipal services to the annexed area in accordance with State law. The failure of this plan to describe any particular service shall not be deemed to be an attempt to omit the provision of such services from the annexed area. The delivery of municipal services may be accomplished through any means permitted by law.

d. Level of Services to be Provided. It is the intent of the City of Conroe to provide the level of services required by State law. The City Council finds and determines that the level of services, infrastructure and infrastructure maintenance provided within the area prior to annexation is not greater than is provided in the City. The City Council finds and determines that the services, infrastructure and infrastructure maintenance proposed by this plan are comparable to that provided to other parts of the City with topography, land use, and population density reasonably similar to the annexed area. The City Council finds and determines that implementation of this plan in the manner proposed will not reduce the level of fire, police, and emergency medical services available within the City.

III. SERVICES TO BE PROVIDED AT ANNEXATION

These services will be provided within the annexed area immediately upon the effective date of the annexation.

a. Police Protection. Police services include criminal investigations, routine patrol, traffic enforcement, and dispatched response to both emergency and non-emergency service calls.

No new patrol officers or patrol units are necessary as a result of this annexation and it is anticipated that police services within the annexed area will be provided utilizing existing levels of personnel and equipment.

b. Fire Protection. The Conroe Fire Department will provide emergency fire suppression and routine fire prevention services within the annexed area.

The Conroe Fire Department does not provide primary EMS services. The Montgomery County Hospital District currently provides EMS services throughout the County. Fire fighters may be dispatched to the scene of accidents or other medical emergencies to assist Hospital District EMS personnel or to provide "first responder" services pending the arrival of EMS personnel.

The Fire Department currently operates five fire stations that are located on North Loop 336, Foster Drive, Southwest Blvd, on Carter Moore Drive (FM 3083) and in the Woodlands Trade Center. Each station responds to service calls within a primary zone but may be called upon to provide support within other areas of the City as necessary. The annexed area will initially be incorporated in the zones served by Station No. 5 on Carter Moore Drive. The station(s) assigned to the annexed area may be altered from time to time in response to service demands, shifts or growth in population, future annexations or other relevant considerations.

Montgomery County Emergency Services District No. 1 currently provides fire protection services to the area. After the area is annexed to Conroe the City will require the ESD to remove the area from the territory of the ESD.

c. Solid Waste Collection. The City provides fee based household garbage collection services to single family residences. The City does not collect garbage from most commercial establishments. Commercial garbage collection and disposal is available from privately owned collection businesses within the City. Apartments and other multifamily buildings are considered commercial and must obtain collection services from private business. The City may, in its discretion, agree to provide service to small commercial establishments that generate waste collection demands similar to a single-family residence.

The City currently provides residential garbage collection for single-family residences at the street curb using a contract service provider. The current contract provider employs an automated collection system that requires use of a specific collection container. In accordance with the currently established policy each household will be provided, without charge, a collection container for waste disposal. Additional containers may be obtained for a fee.

Privately owned solid waste management service providers may continue to provide both residential and commercial services throughout the annexed area prior to the second anniversary of the effective date of annexation. Commencing upon such second anniversary such providers shall be prohibited from the further provision of residential services. Pending the expiration of such two year period the City shall not apply any fee for solid waste management services upon a person who continues to use the services of a privately owned solid waste management service provider.

d. Maintenance of Water and Wastewater Facilities. The territory is presently undeveloped land and there are no existing water or wastewater facilities. Portions of the territory are located within the service areas of Aqua Development, Inc. and C & R Water Supply Inc., both being retail public utilities with exclusive service rights to that portion of the territory covered by their respective certificates of convenience and necessity.

David B. Hendricks and Houston Intercontinental Trade Center, LTD, hereinafter referred to as "the Developers" own substantially all of the territory to be annexed. The Developers have petitioned the City to permit the creation of an in city municipal utility district preliminarily designated Montgomery County Municipal Utility District No. 126 which will include substantially all of the annexed territory.

The City and the Developers, acting on behalf of the proposed MUD 126, have entered into a Utility Services and Development Agreement dated March 13, 2008. Pursuant to this agreement the City will consent to the creation of MUD 126 and will extend City water and sewer facilities to designated points of connection at or near the boundaries of the district. For so long as the district continues to exist the City shall provide the district with an adequate water supply and wastewater treatment services in accordance with the Utility Services and Development Agreement.

MUD 126 will provide for the installation, operation and maintenance of all internal water and sewer utility facilities necessary to serve the annexed territory. The Developers, acting on behalf of the proposed MUD 126, have entered into an agreement with Aqua Development, Inc. to provide for the assignment of its certificate of convenience and necessity rights to MUD 126. Pursuant to this

agreement MUD 126 will contract with Aqua Operations, Inc. to operate the MUD 126 water and sewer utility systems.

The City has entered into a separate agreement with C & R Water Supply Inc. to acquire that retail utility's service rights within the boundaries of the annexed territory. Upon the acquisition of such service rights the City shall transfer the rights or take such other action as may be reasonable or necessary to authorize MUD 126 to serve the territory within its boundaries that is presently within the service territory of C & R Water Supply Inc.

e. Maintenance of Roads, Streets and Street Lighting. The City is not responsible for the maintenance of private streets or roads in the annexed area. The City will assume the responsibility for maintenance of public streets and roads previously accepted for maintenance by official action of the Commissioners Court of Montgomery County. Any such streets or road formerly maintained by Montgomery County that become subject to City maintenance will be maintained in a condition which is at least equal to the County maintenance standard, however, the City will not be required to reconstruct or upgrade such streets to a higher standard. The only County maintained roadway that has been identified within the annexed area is a portion of Longmire Way.

It is the responsibility of the developer to construct or provide those streets or roads necessary to serve the demands of new development in the area to be annexed. The City may accept the dedication of public streets constructed in accordance with applicable development regulations of the City and will thereafter be responsible for their maintenance.

f. Maintenance of Parks, Playgrounds and Swimming Pools. There are no public parks, playgrounds, or swimming pools within the area to be annexed. Private recreational facilities, open spaces and swimming pools are unaffected by the annexation.

g. Maintenance of any other Public Building, Facility or Service. Annexation does not transfer ownership of most public buildings, facilities or services, all of which should continue to be maintained or provided by the public entity that currently owns or provides them. Privately owned facilities, including privately owned and operated storm water detention facilities, are not effected by the annexation.

An appropriate City Department will be assigned to assume responsibility for the maintenance or provision of any facilities or services which become the responsibility of City and are not covered by this service plan.

IV. CAPITAL IMPROVEMENTS

Construction of these capital improvements will be substantially completed within 2½ years.

a. Police Protection. No additional capital improvements are needed at this time to provide police services.

b. Fire Protection. No capital improvements are needed at this time to provide fire protection services.

c. Solid Waste Collection. No capital improvements are needed at this time to provide solid waste collection services.

d. Water and Wastewater Facilities. The City will extend its water and sewer mains to the boundaries of the annexed area in accordance with the Utility Services and Development Agreement for MUD 126. The City shall have no obligation to construct or provide water or sewer facilities within the area to be annexed.

e. Roads, Streets and Streetlights. No new roads, streets or street lights are needed at this time. It will be the responsibility of the developer of the property to provide the roads and streets necessary to serve new development within the annexed area.

f. Parks, Playgrounds and Swimming Pools. No capital improvements are needed at this time to provide recreational services.

g. Other Public Buildings, Facilities or Services. No capital improvements are needed at this time to provide other public services.

V. WATER AND WASTEWATER SERVICE EXTENSION POLICIES

The City provides fee based water and wastewater services to the portions of the City which are not within an area served by another water or wastewater utility. Water and wastewater services are generally only provided to lots that have been properly subdivided or platted. The City may decline to provide service to any property that is not platted.

For lots that have water or wastewater lines in an abutting street or easement, the owner may receive water or wastewater service by applying for a City tap and paying any required fees.

The provision of water and wastewater facilities for new development within the City is primarily governed by the City's building code and subdivision ordinances that are found in Chapters 14 and 94 of the City Code of Ordinances. New development must be served by owner/developer provided public water and wastewater facilities that meet the City's standard requirements. Upon

construction and dedication by the owner/developer the City agrees to provide services via the facilities and thereafter to maintain them.

Facilities necessary to serve a new development are provided at the sole cost of the owner/developer. Such facilities include not only those which are located within the owner/developer's property, but also any exterior mains which must be extended to connect the property under development to the point of connection with the City's existing facilities. The City need not compensate the owner/developer for the ordinary costs of extending exterior mains. The owner/developer may be reimbursed for ordinary exterior main extension costs through the imposition of lot or acreage fees to be levied against other adjacent properties upon connection to the owner/developer constructed mains.

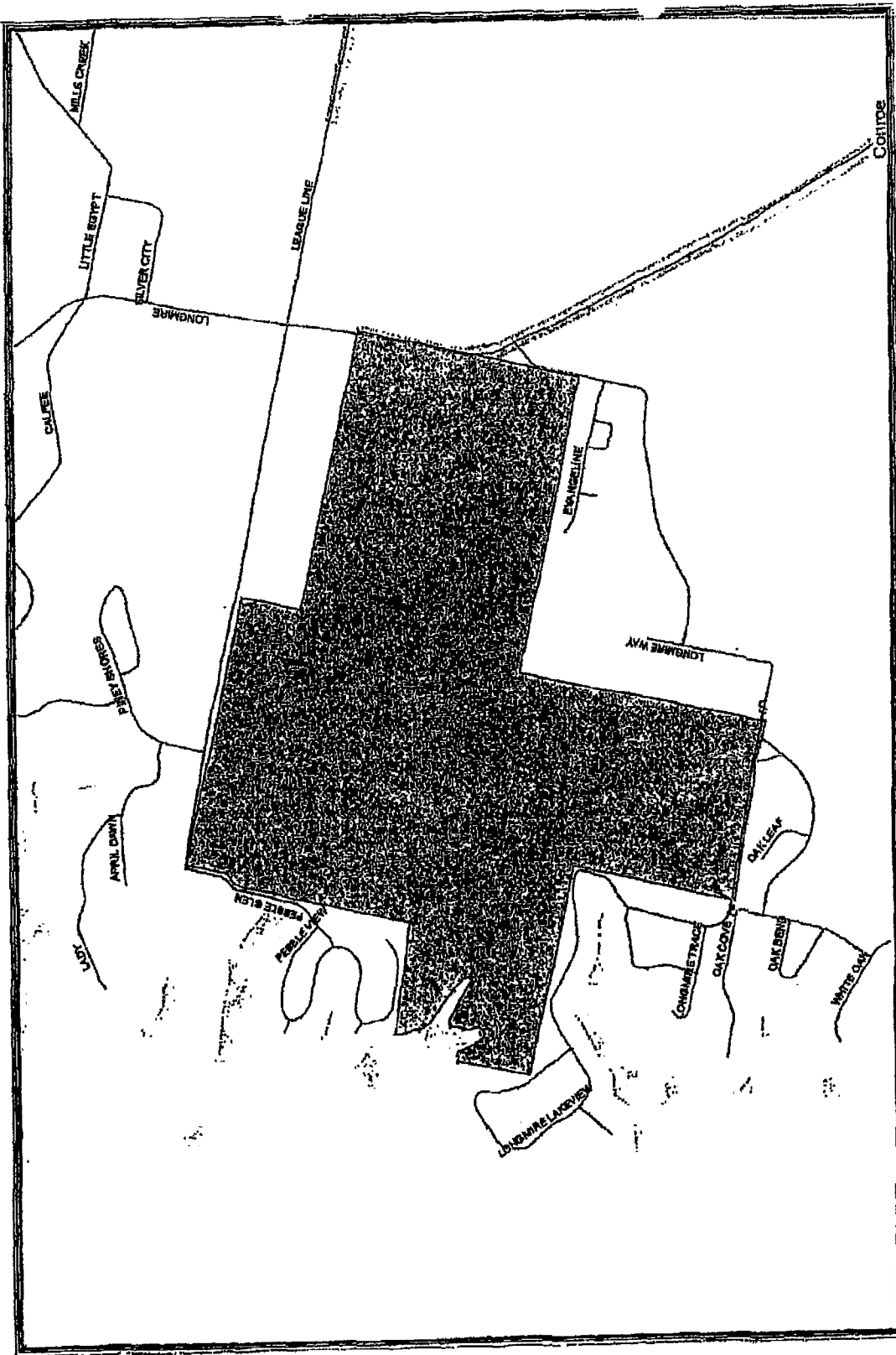
The City may require that the owner/developer provide oversized water or wastewater facilities. In such cases the City will pay the reasonable cost of such oversizing. Whether or not a particular line sizing constitutes "oversizing" is determined upon the basis of generally accepted sound engineering design practices.

In newly annexed areas the City examines the need for line extensions to serve existing development that does not currently receive water or waste water services. The City will determine the need for the construction of lines and facilities to serve existing development after giving due consideration to (1) the topography, (2) land use, (3) population density, (4) the adequacy of existing private water wells and septic tanks and (5) anticipated levels of demand. The City will not undertake line extensions to serve such existing development unless the new lines will be logical, reasonable and prudent extensions of the City's existing facilities.

From time to time, upon the request of an interested property owner the City will consider whether or not line extensions previously deemed unnecessary have become necessary as a result of changed conditions.

The City may recover the capital costs of extending water or wastewater facilities to serve existing development through the use of impact fees, assessments or any other method authorized by law.

Once sewer lines become available in an abutting street or easement the City may require that existing development connect to the City sewer system.



Community Development
 City of San Jose
 Planning Department
 2150 North First Street
 San Jose, CA 95131
 (408) 287-2000
 Fax: (408) 287-2001
 www.sanjoseca.gov



EXHIBIT A
PROPOSED ANNEXATION PARCEL 2008-01
296.51 AC.

Legend
 ——— Street
 ——— Railroad
 City Limits Annexation Parcel
 2008-01

CITY SECRETARY CERTIFICATION

**STATE OF TEXAS §
 §
COUNTY OF MONTGOMERY §**

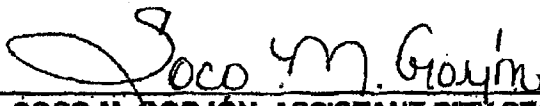
I, **SOCO M. GORJÓN**, being the duly qualified, appointed and acting Assistant City Secretary of the City of Conroe, Texas, do hereby certify that the pages hereto attached are a true and correct copy of the following described document which has been duly passed and approved by the Conroe City Council and recorded among the official documents of the City of Conroe, Texas, to wit:

ORDINANCE NO. 1848-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, GIVING ITS CONSENT TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT (TO BE KNOWN AS MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126).

Passed and Approved the 22ND day of May 2008.

SIGNED AND CERTIFIED the 22nd day of May 2008.



**SOCO M. GORJÓN, ASSISTANT CITY SECRETARY
CITY OF CONROE, TEXAS**

CERTIFICATE FOR ORDINANCE

I.

On the 22 day of May, 2008, the City Council of the City of Conroe, Texas consisting of the following qualified members, to-wit: **Webb Melder, Mayor; Council Members Pat George, Jerry Streater, and Toby Powell**, did convene in public session in the Council Chambers of the City Hall at 300 West Davis in Conroe, Texas. The roll being first called, a quorum was established, all members being present except the following, to wit: **Jay Ross Martin and Jim Gentry**. The Meeting was open to the public and public notice of the time, place and purpose of the Meeting was given, all as required by Chapter 551, Texas Government Code.

II.

WHEREUPON, AMONG OTHER BUSINESS transacted, the Council considered adoption of the following written Ordinance, to-wit:

ORDINANCE NO. 1848-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, GIVING ITS CONSENT TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT.

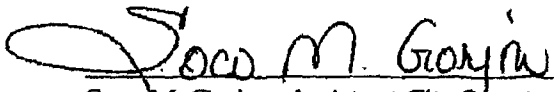
III.

Upon motion of Council Member George, seconded by Council Member Streater, all members present voted for adoption of the Ordinance, except the following: No one voted against and no one abstained. A majority of those Council Members present having voted for adoption, the presiding officer declared the Ordinance passed and adopted.

IV.

A true, full and correct copy of the Ordinance adopted at the Meeting is attached to and follows this Certificate.

SIGNED AND SEALED this 22 day of May, 2008.


Soco M. Gorjon, Assistant City Secretary

ORDINANCE NO. 1848-08

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS, GIVING ITS CONSENT TO THE CREATION OF A MUNICIPAL UTILITY DISTRICT.

* * * * *

WHEREAS, by Petition dated March 13, 2008, a copy of which is attached hereto and incorporated herein by reference (the "Petition") David B. Hendricks and Houston Intercontinental Trade Center, L.P., have requested the consent of the City of Conroe (the "City") to the creation of a municipal utility district (to be known as Montgomery County Municipal Utility District No. 126) containing 293 acres, more or less, located within the corporate limits of the City, (the "Property") as more particularly described in Exhibit "A" to the attached Petition; and

WHEREAS, Section 54.016 of the Texas Water Code and Section 42.042 of the Local Government code provide that land within a City's corporate limits may not be included within a municipal utility district without the City's written consent;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF CONROE, TEXAS:

Section 1. This Ordinance when properly executed is the City's written consent to the creation of a municipal utility district ("MUD") to serve the Property. This consent is given and made expressly subject to those conditions set forth in Exhibit "B" of the Petition. No further action shall be required on the part of the City to indicate such consent. This Ordinance shall likewise indicate the consent of the City for the MUD to annex or exclude contiguous land into or out of the MUD; provided, however, the MUD may not annex any land outside the Property without prior written approval of the City. Notwithstanding the foregoing, the Mayor is authorized to execute and deliver any additional documentation evidencing such consent as may be requested or required by the MUD or any regulatory authority having jurisdiction over such MUD.

Section 2. The MUD is authorized to exercise all powers granted to municipal utility districts or which may be hereinafter granted under the Constitution and the laws of the State of Texas, including, but not limited to, the power to provide water, wastewater and drainage facilities, parks and recreational facilities and roads; and to issue bonds for all such purposes, provided however, the exercise of such powers shall be subject to the conditions set forth in the Utility Services and Development Agreement dated March 13, 2008, made by and between the City of Conroe and David B. Hendricks and Houston Intercontinental Trade Center, L.P., which agreement was entered into on behalf of and in contemplation of its assignment to the District. As soon as practical following its organization, the District shall accept the assignment of such Agreement and agree to be bound thereby. The District may not sell or

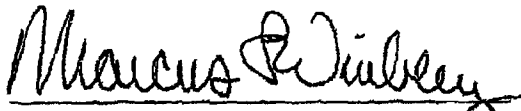
issue bonds prior to accepting such assignment and making written acknowledgement of same of the City of Conroe.

Section 3. Upon confirmation of creation, the MUD shall notify the City of its confirmation and of any annexation or exclusion of property into or out of the MUD, and shall provide a map of the MUD to the City Secretary in Mylar, hard copy and electronic format.

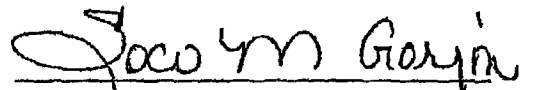
PASSED AND APPROVED this the 22 day of May, 2008.


WEBB K. MELDER, MAYOR

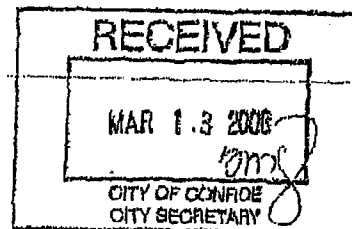
APPROVED AS TO FORM:


MARCUS L. WINBERRY, City Attorney

ATTEST:


SOCOM M. GORJON, Assistant City Secretary

PETITION FOR CONSENT TO CREATION
OF A MUNICIPAL UTILITY DISTRICT



TO THE HONORABLE MAYOR AND
CITY COUNCIL OF THE CITY OF CONROE:

The undersigned, hereinafter called "Petitioner" (whether one or more) being the holder of title to a majority in value of the lands hereinafter described, as such values are indicated by the tax rolls of the central appraisal district of Montgomery County, Texas, acting pursuant to the provisions of Section 54.016, Texas Water Code, as amended, respectfully petitions for consent to the creation of a municipal utility district hereinafter called the "District" In support of this petition for consent to creation of the District Petitioner shows as follows

I

The name of the District will be MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126

II

The area of the land to be included in the District contains 293.492 acres, more or less, and lies wholly within Montgomery County, Texas. All of said area is within the extraterritorial jurisdiction of the City of Conroe, Texas (the "City") and is in the process of being annexed into the corporate limits of the City. None of said area is within the corporate limits or extraterritorial jurisdiction of any other city. Petitioner hereby certifies that the lienholders executing this petition below are the only holders of liens against the land to be included in the District.

III

The land sought to be included within the area of the District is described by metes and bounds in Exhibit "A" attached hereto and incorporated herein by reference for all purposes.

IV

The District will be created and organized under the terms and provisions of Article XVI, Section 59 of the Constitution of Texas and Chapter 49 and Chapter 54 of the Texas Water Code, as amended. The purposes of and the general nature of the work proposed to be done by the District shall be the purchase, construction, acquisition, repair, extension and improvement of land, easements, works, improvements, facilities, plants, equipment and appliances 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;

(3) gather, conduct divert and control local storm water or other local harmful excesses of water in the District and the payment of organization expenses, operational expenses during construction and interest during construction;

(4) exercise road powers and authority ("Road Powers") pursuant to applicable law and Chapter 54 of the Texas Water Code, as amended;

(5) finance, develop and maintain recreational facilities for the people of the District if and as allowed by applicable law; and

(6) provide such other facilities, systems, plants and enterprises as shall be consonant with the purposes for which the District is created and permitted under state law.

V

The area of the District is urban in nature, is within the growing environs of the City of Conroe, and is in close proximity to populous and developed sections of Montgomery County. The District's area will, within the immediate future, experience a substantial and sustained residential and commercial growth. Therefore, there is a necessity for the improvements described above for the following reasons

(1) The District's area is not supplied with adequate water and sanitary sewer facilities and services or with adequate drainage facilities. The health and welfare of the future inhabitants of the area and of territories adjacent thereto require the installation and acquisition of adequate water sanitary sewer and drainage facilities for and within the area of the District

(2) The future inhabitants of the area and of territories adjacent thereto require recreational facilities, as same are necessary and desirable for the health and well-being of such inhabitants. The District's area does not currently include adequate recreational facilities within its boundaries

(3) The future inhabitants of the area and of territories adjacent thereto require adequate road facilities, as same are necessary and desirable for the health and welfare of such

inhabitants, and for the orderly growth of residential and commercial development within the area and territories adjacent thereto. Road powers may be of necessity to the District and to the land within the District as such powers will allow the District to construct, acquire, improve, and provide financing for road facilities that may not otherwise be constructed in a manner that will proactively address safety, capacity, durability, economic feasibility, and regional mobility issues.

A public necessity exists for the organization of such District to promote and protect the purity and sanitary condition of the State's waters and the public health and welfare of the community by and through the purchase, construction, extension, improvement, maintenance and operation of a water supply and sanitary sewer system, drainage facilities, recreational facilities (if allowed by applicable law) and road facilities.

VI

The Petitioner agrees and hereby covenants that if the requested consent to the creation of the District is given, the Petitioner will adopt and abide by, and will cause the District upon its final creation to adopt and abide by, the conditions set forth in Exhibit 'B', attached hereto and incorporated herein for all purposes.

VII.

It is now estimated by those filing this petition, from such information as they have at this time, that the ultimate cost of the development contemplated will be approximately \$24,375,000 for water, sewer and drainage facilities, \$1,310,000 for recreational facilities, and \$3,340,000 for road facilities.

WHEREFORE, Petitioner respectfully prays that this petition be granted in all respects and that the City of Conroe give its written consent to the creation of said District.

Dated this 13 day of MARCH, 2008

David B Hendricks
DAVID B HENDRICKS

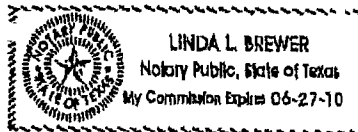
"PETITIONER"

THE STATE OF TEXAS §
 §
COUNTY OF WARRERS §

This instrument was acknowledged before me on this the 13
day of MARCH 2008 by David B. Hendricks

Linda Brewer
Notary Public in and for
the State of Texas.

(NOTARY SEAL)



HOUSTON INTERCONTINENTAL TRADE
CENTER, L.P. a Texas limited
partnership

By: REVISTA, Inc. a Texas
corporation and its sole general
partner

By: Michael P. Barsi
Michael P Barsi
President

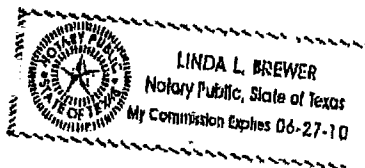
"PETITIONER"

THE STATE OF TEXAS §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 13
day of MARCH 2008, by Michael P. Barsi, President of REVISTA,
Inc., a Texas corporation and the sole general partner of Houston
Intercontinental Trade Center, L.P. a Texas limited partnership,
on behalf of said entities

Linda Brewer
Notary Public in and for
the State of Texas

(NOTARY SEAL)



The undersigned, being a lienholder on a portion of the property described in the foregoing Petition consents to the creation of MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 over the land which is more particularly described in said Petition, and to the filing of said Petition with the City of Conroe, Texas.

STERLING BANK, a Texas banking
association

By: John N Bedford
Name: John N Bedford
Title: Vice Chairman

Attest

By: [Signature]
Name: Mark E. Story
Title: Marked CEO

"LIENHOLDER"

(SEAL)

THE STATE OF TEXAS §
 §
COUNTY OF HARRIS §

This instrument was acknowledged before me on this the 13
day of MARCH, 2008, by JOHN N BEDFORD
VP of Sterling Bank, a Texas banking association, on
behalf of said banking association.

[Signature]
Notary Public in and for
the State of Texas



The undersigned, being a lienholder on a portion of the property described in the foregoing Petition consents to the creation of MONTGOMERY COUNTY MUNICIPAL UTILITY DISTRICT NO. 126 over the land which is more particularly described in said Petition, and to the filing of said Petition with the City of Conroe, Texas.

BENCHMARK BANK, a Texas banking
association

By: [Signature]
Name: David S. Crockett
Title: Vice Chairman

Attest

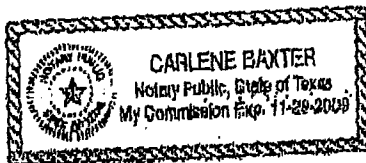
By: [Signature]
Name: Bill G. Brewer
Title: President

"LIENHOLDER"

(SEAL)

THE STATE OF TEXAS §
 §
COUNTY OF Collin §

This instrument was acknowledged before me on this the 13th
day of March, 2008, by David S. Crockett
Vice Chairman of Benchmark Bank, a Texas banking association, on
behalf of said banking association.



[Signature]
Notary Public in and for
the State of Texas

Exhibit A

METES AND BOUNDS DESCRIPTION
293.49 ACRES IN THE
JAMES EDWARDS SURVEY, ABSTRACT NO. 190 AND THE
ELIJAH COLLARD SURVEY, ABSTRACT NO. 7
MONTGOMERY COUNTY, TEXAS

A 293.49-ACRE TRACT OF LAND SITUATED IN THE JAMES EDWARDS SURVEY, ABSTRACT NO. 190, AND THE ELIJAH COLLARD SURVEY, ABSTRACT NO. 7, MONTGOMERY COUNTY, TEXAS, BEING A PORTION OF THAT CALLED 175.1766-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112579, ALL OF THAT CALLED 23.43-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006101070, ALL OF THAT CALLED 37.564-ACRE TRACT CONVEYED TO DAVID HENDRICKS BY SPECIAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2006062871, ALL OF THAT CALLED 33.861-ACRE TRACT CONVEYED TO HOUSTON INTERCONTINENTAL TRADE CENTER, L.P. BY GENERAL WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007009290, AND ALL OF THAT CALLED 23.419-ACRE TRACT CONVEYED TO HOUSTON INTERNATIONAL TRADE CENTER L.P. BY WARRANTY DEED WITH VENDOR'S LIEN RECORDED UNDER MONTGOMERY COUNTY CLERK'S FILE NO. 2007112578 ALL OF THE OFFICIAL PUBLIC RECORDS OF REAL PROPERTY, SAID 293.49-ACRE TRACT BEING MORE PARTICULARLY DESCRIBED BY METES AND BOUNDS AS FOLLOWS WITH ALL BEARINGS BASED ON THE TEXAS COORDINATE SYSTEM OF 1983, CENTRAL ZONE, AS DETERMINED BY GPS MEASUREMENTS;

BEGINNING at a 5/8-inch iron rod found on the north line of Longmire Way (60-foot right-of-way) recorded under Montgomery County Clerk's File No. 9536930 of the Official Public Records of Real Property, being the southeast corner of Reserve "C" of the Replat of Longmire on Lake Conroe Sections 1 and 2, plat of which is recorded in Cabinet J, Sheets 161 thru 163 of the Montgomery County Map Records;

- (1) THENCE North 12°45'59" East, along the east line of said Replat of Longmire on Lake Conroe Sections 1 and 2, at 912.84 feet passing the northeast corner of said Replat of Longmire on Lake Conroe Sections 1 and 2 and the southeast corner of Longmire on Lake Conroe Section 3, plat of which is recorded in Cabinet I, Sheets 59 thru 65 of the Montgomery County Map Records, and continuing in all 1255.98 feet to a 5/8-inch iron rod found for the northeast corner of said Longmire on Lake Conroe Section 3;
- (2) THENCE North 77°12'18" West, 1616.63 feet, along the north line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod with cap stamped "E.H.R.&A. 713-784-4500" set for an interior corner of said Longmire on Lake Conroe Section 3;
- (3) THENCE North 11°56'28" East, 565.74 feet, along an interior line of said Longmire on Lake Conroe Section 3, to a 5/8-inch iron rod found for the northeast corner of Reserve "D" of said Longmire on Lake Conroe Section 3, being on the 201-foot contour line;

THENCE along the 201-foot contour line, the following fifty (50) courses and distances:

- (4) South 87°23'59" East, 33.75 feet to a point;
- (5) North 60°22'00" East, 14.06 feet to a point;
- (6) South 88°53'51" East, 14.40 feet to a point;
- (7) South 44°41'08" East, 14.73 feet to a point;
- (8) South 25°42'16" East, 23.63 feet to a point;
- (9) South 21°31'26" East, 48.80 feet to a point;
- (10) South 24°18'55" East, 36.65 feet to a point;

- (11) South 23°02'23" East, 43.46 feet to a point;
- (12) South 32°41'37" East, 41.56 feet to a point;
- (13) South 39°04'34" East, 23.02 feet to a point;
- (14) South 43°05'41" East, 23.55 feet to a point;
- (15) South 69°57'44" East, 22.50 feet to a point;
- (16) North 62°41'04" East, 21.03 feet to a point;
- (17) North 32°09'28" East, 44.39 feet to a point;
- (18) North 10°10'15" West, 36.41 feet to a point;
- (19) North 09°26'25" West, 45.54 feet to a point;
- (20) North 15°23'27" East, 43.59 feet to a point;
- (21) North 11°14'01" East, 48.40 feet to a point;
- (22) North 13°00'46" East, 21.26 feet to a point;
- (23) North 10°49'35" East, 30.79 feet to a point;
- (24) North 32°19'05" East, 12.24 feet to a point;
- (25) North 58°33'18" East, 11.79 feet to a point;
- (26) South 80°41'18" East, 26.94 feet to a point;
- (27) South 63°13'35" East, 31.75 feet to a point;
- (28) South 56°59'25" East, 57.54 feet to a point;
- (29) South 59°37'32" East, 54.26 feet to a point;
- (30) South 59°24'03" East, 33.57 feet to a point;
- (31) South 57°44'53" East, 37.89 feet to a point;
- (32) South 58°14'18" East, 35.57 feet to a point;
- (33) South 59°55'00" East, 46.09 feet to a point;
- (34) South 50°39'40" East, 31.93 feet to a point;
- (35) South 81°19'12" East, 21.86 feet to a point;
- (36) North 34°51'06" East, 20.55 feet to a point;
- (37) North 15°39'43" East, 23.19 feet to a point;
- (38) North 27°35'55" West, 25.09 feet to a point;
- (39) North 45°59'51" West, 31.29 feet to a point;
- (40) North 38°24'53" West, 41.42 feet to a point;
- (41) North 48°11'04" West, 42.03 feet to a point;
- (42) North 52°44'02" West, 37.76 feet to a point;

393.49 Acres
James Edwards Survey, A-190
Elijah Colkard Survey, A-7
Page 2 of 5

- (43) North 47°31'18" West, 36.54 feet to a point;
- (44) North 51°00'12" West, 68.45 feet to a point;
- (45) North 54°27'30" West, 53.57 feet to a point;
- (46) North 50°14'59" West, 43.08 feet to a point;
- (47) North 50°50'55" West, 63.18 feet to a point;
- (48) North 45°44'33" West, 53.82 feet to a point;
- (49) North 17°44'30" West, 55.91 feet to a point;
- (50) North 04°00'03" West, 43.57 feet to a point;
- (51) North 16°15'40" West, 51.84 feet to a point;
- (52) North 15°27'23" West, 69.20 feet to a point;
- (53) North 09°53'22" East, 36.80 feet to a point on the south line of Pebble Glen on the Lake, plat of which is recorded in Cabinet N, Sheets 125 thru 128;
- (54) THENCE South 81°28'22" East, at 10.00 feet passing a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-764-4500" set for reference, and continuing in all 849.61 feet to a 5/8-inch iron rod found for the southeast corner of said Pebble Glen on the Lake;
- (55) THENCE North 11°49'44" East, along the east line of said Pebble Glen on the Lake, at 1001.57 feet passing a 5/8-inch iron rod found for the northeast corner of said Pebble Glen on the Lake, and continuing in all 1012.69 feet to a point on the 201-foot contour line;
- THENCE along the 201-foot contour line, the following twenty-one (21) courses and distances:
- (56) South 87°34'31" East, 44.31 feet to a point;
- (57) North 85°18'39" East, 103.76 feet to a point;
- (58) South 87°41'11" East, 41.82 feet to a point;
- (59) South 89°57'21" East, 52.34 feet to a point;
- (60) South 83°58'25" East, 51.16 feet to a point;
- (61) South 87°20'06" East, 50.00 feet to a point;
- (62) North 85°40'28" East, 43.06 feet to a point;
- (63) North 89°02'07" East, 48.48 feet to a point;
- (64) South 89°59'11" East, 15.57 feet to a point;
- (65) North 67°32'38" East, 22.66 feet to a point;
- (66) North 02°29'35" East, 28.08 feet to a point;
- (67) North 00°13'32" East, 29.04 feet to a point;
- (68) North 67°39'40" West, 30.47 feet to a point;
- (69) North 74°43'23" West, 56.56 feet to a point;
- (70) North 75°25'23" West, 45.28 feet to a point;
- (71) South 86°37'31" West, 74.43 feet to a point;

- (72) North 69°28'00" West, 40.10 feet to a point;
- (73) North 84°38'33" West, 45.92 feet to a point;
- (74) North 86°09'04" West, 59.74 feet to a point;
- (75) North 79°31'57" West, 49.92 feet to a point;
- (76) South 68°16'23" West, 53.48 feet to a point on the east line of Calfee Road (60-foot right-of-way) recorded in Volume 632, Page 291 and Volume 640, Page 139, both of the Montgomery County Deed Records;
- (77) THENCE North 11°11'22" East, 229.43 feet along the east line of said Calfee Road to a 1/2-inch iron rod found, being the southwest corner of the aforementioned 23.419-acre tract;

THENCE in a northerly direction along the common line of said Calfee Road and said 23.419-acre tract, the following three (3) courses and distances:
- (78) North 21°10'57" East, 89.92 feet to a PK Nail found;
- (79) North 51°27'01" East, 105.82 feet to a 5/8-inch iron rod found;
- (80) North 12°47'09" East, 328.16 feet to a point on the southwest corner of League Line Road (60-foot-right-of-way) recorded in Volume 825, Page 102 and Volume 1049, Page 571, both of the Montgomery County Deed Records from which a 1/2-inch iron rod with cap stamped "Jeff Moon RPLS 4539" found for the most westerly northwest corner of said 23.939-acre tract recorded under Montgomery County Clerk's File No. 2005084850 of the Official Public Records of Real Property bears North 12°47'09" East, 133.02 feet;
- (81) THENCE South 76°39'07" East, at 98.85 feet passing a PK Nail found for the corner of said 23.939-acre tract, and continuing in all 1082.79 feet, along the south line of said League Line Road same as said 23.419-acre tract, to a 5/8-inch iron rod found;
- (82) THENCE South 77°19'32" East, 980.27 feet, continuing along the north line of said 23.419-acre tract same as south line of League Line Road, to a 5/8-inch iron rod found, being the northeast corner of said 23.419-acre tract and on the west line of the remainder of a called 90.033-acre tract (Tract 3) recorded under Montgomery County Clerk's File No. 9509572 of the Official Public Records of Real Property;
- (83) THENCE South 12°09'43" West, along the common line of said remainder tract and said 23.419-acre tract, at 484.50 feet passing a 5/8-inch iron rod found, and continuing in all 485.18 feet to a 5/8-inch iron rod with cap stamped "E.H.R. & A. 713-784-4500" set on the south line of said remainder tract, also being on the north line of a called 121.838-acre tract recorded in Volume 458, Page 131 of the Montgomery County Deed Records and the north line of aforementioned 23.43-acre tract;
- (84) THENCE South 77°02'20" East, 2149.46 feet along the common line of said remainder tract, said 121.838-acre tract and said 23.43-acre tract, to an iron strap found on the east line of Longmire Road, being the northeast corner of said 121.838-acre tract and said 23.43-acre tract and the northwest corner of a called 99.75-acre tract recorded under Montgomery County Clerk's File No. 9891554 of the Official Public Records of Real Property;
- (85) THENCE South 12°12'48" West, along the common line of said 121.838-acre tract, said 23.43-acre tract, said Longmire Road, and Longmire Way, said 99.75-acre tract, aforementioned 33.861-acre tract, and aforementioned 37.564-acre tract, at 428.83 feet passing a 1/2-inch iron found for the common east corner said 23.43-acre tract, and said 33.861-acre tract, at 1074.23 feet passing a 1/2-inch iron rod found for the common east corner of said 33.861-acre tract and said 37.564-acre tract, and continuing in all 1791.25 feet to a PK Nail found for the southeast corner of said 37.564-acre tract and the northeast corner of a called 26.5516-acre tract recorded under Montgomery County Clerk's File No. 2004020900 of the Official Public Records of Real Property;

- (86) THENCE North $77^{\circ}53'49''$ West, 2280.36 feet, along the common line of said 37.564-acre tract and said 26.5516-acre tract, to a 1/2-inch iron rod found for the common west corner of said 37.564-acre tract and said 26.5516-acre tract, being on the east line of aforementioned 321.470-acre tract;
- (87) THENCE South $11^{\circ}58'58''$ West, 507.48 feet along the common line of said 26.5516-acre tract and said 321.470-acre tract, to a 3/4-inch iron pipe found for the southwest corner of said 26.5516-acre tract and the northwest corner of The Estates of Longmire on Lake Conroe, plat of which is recorded in Cabinet H, Sheets 92B, 93A, 93B, and 94A of the Montgomery County Map Records;
- (88) THENCE South $11^{\circ}12'47''$ West, 1416.70 feet, along the common line of said 321.470-acre tract and said The Estates of Longmire on Lake Conroe, to a fence corner on the north line of the aforementioned Longmire Way, being on the arc of a non-tangent curve to the right;

THENCE in a westerly direction, along the north line of said Longmire Way, the following six (6) courses and distances:

- (89) Along the arc of said curve to the right having a radius of 1990.56 feet, a central angle of $05^{\circ}37'51''$, an arc length of 195.63 feet, and a chord bearing North $74^{\circ}33'58''$ West, 195.55 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (90) Along the arc of said curve to the left having a radius of 824.29 feet, a central angle of $14^{\circ}21'06''$, an arc length of 106.47 feet, and a chord bearing North $78^{\circ}55'35''$ West, 105.93 feet to a 5/8-inch iron rod found at a point of reverse curvature;
- (91) Along the arc of said curve to the right having a radius of 1499.91 feet, a central angle of $07^{\circ}28'46''$, an arc length of 195.80 feet, and a chord bearing North $82^{\circ}21'44''$ West, 195.66 feet to a 5/8-inch iron rod found;
- (92) North $78^{\circ}37'21''$ West, 386.86 feet to a 1/2-inch iron rod found at the beginning of a curve to the left;
- (93) Along the arc of said curve to the left having a radius of 2711.89 feet, a central angle of $04^{\circ}16'15''$, an arc length of 202.14 feet, and a chord bearing North $80^{\circ}45'28''$ West, 202.09 feet to a 1/2-inch iron rod found at a point of reverse curvature;
- (94) Along the arc of said curve to the right having a radius of 1997.82 feet, a central angle of $05^{\circ}38'44''$, an arc length of 196.85 feet, and a chord bearing North $80^{\circ}04'13''$ West, 196.77 feet to the POINT OF BEGINNING, containing a gross acreage of 293.49 acres of land.

EOMINSTER, HINSHAW, KLUSS AND ASSOCIATES, INC.

Piotr A. Debski, R.P.L.S.
Texas Registration No. 5902
10555 Westoffice Drive
Houston, Texas 77042
713-784-4500



Date: Jan 27, 2008
Job No: 071-018-00
File No: R:\2007\071-018-00\docs\technical\draw\293.49ac.dwg

293.49 Acres
James Edwards Survey, A-190
Elijah Colliard Survey, A-7
Page 5 of 5