

RESOLUTION NO. R99-66

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS, AUTHORIZING THE CITY MANAGER OR HIS DESIGNEE TO EXECUTE A DEVELOPMENT AGREEMENT WITH SHADOW CREEK RANCH DEVELOPMENT COMPANY, L.P., A NEVADA LIMITED PARTNERSHIP, FOR DEVELOPMENT OF SHADOW CREEK RANCH IN CONNECTION WITH TAX INCREMENT FINANCING REINVESTMENT ZONE NUMBER TWO.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PEARLAND, TEXAS:

Section 1. That certain Development Agreement by and between the City of Pearland and Shadow Creek Ranch Development Company, L.P., a Nevada limited partnership, a copy of which is attached hereto as Exhibit "A" and made a part hereof for all purposes, is hereby authorized and approved.

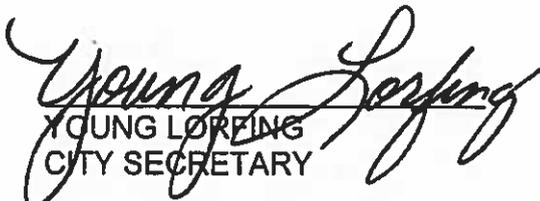
Section 2. That the City Manager or his designee is hereby authorized to execute and the City Secretary to attest the original of the attached agreement for and on behalf of the City of Pearland.

PASSED, APPROVED and ADOPTED this the 13th day of September,
A.D., 1999.



TOM REID
MAYOR

ATTEST:



YOUNG LORRING
CITY SECRETARY

APPROVED AS TO FORM:



DARRIN M. COKER
CITY ATTORNEY

DEVELOPMENT AGREEMENT

THIS DEVELOPMENT AGREEMENT (this "Agreement") is made and entered into as of SEPTEMBER 13, 1999, by and between the **CITY OF PEARLAND, TEXAS**, a home rule municipality located in the counties of Brazoria, Harris, and Fort Bend, Texas (the "City"), and **SHADOW CREEK RANCH DEVELOPMENT COMPANY, L.P.**, a Nevada limited partnership (the "Developer"), or its assigns, represented herein by its undersigned, duly authorized general partner.

RECITALS

- A. Capitalized terms used in these recitals are defined in Article I, below. The City has the authority to adopt tax increment financing pursuant to the Act, for areas within its jurisdiction designated by the City as reinvestment zones, and to implement incentive programs to encourage economic development pursuant to TEX. CONST., article III, section 52-a, TEX. LOCAL GOV'T CODE, ch. 380, and other economic development statutes.
- B. The City has annexed the Property. Pursuant to the request of certain owners of property within the annexed land, and in accordance with the Act, the City has designated, the Property as the "Tax Increment Financing Reinvestment Zone Number Two, City of Pearland, Texas." The land within the Reinvestment Zone is undeveloped or underdeveloped, and therefore, the Reinvestment Zone is intended and needed to provide the financing and management tools to facilitate the development of the Project; therefore, it is understood that absent such tools, the Project would not occur solely through private investment in the foreseeable future, and would not consist of a master-planned community as contemplated by the parties, thereby denying the benefits to the City and the Project as provided herein.
- C. The City authorized the preparation of a project plan and a reinvestment zone financing plan concerning the Reinvestment Zone.
- D. In accordance with above authorization and the Act, the Board of Directors of the Reinvestment Zone was appointed and organized in accordance with law and the ordinance creating the Zone, and such Board, in conjunction with its consultants and the Developer, has prepared a Project Plan and a Financing Plan, which Plans were submitted to the City. The City, in accordance with the Act and after making all findings required by the Act, has adopted an ordinance approving the Plans.
- E. The Developer is the holder of the right to acquire and develop the Property from the owner. The City and the Developer intend that other land may be annexed to the Reinvestment Zone with the agreement of the parties and in compliance with the Act.

F. The Developer, in cooperation with and at the direction of the City, drafted the PUD and the PUD has been recommended by the Planning and Zoning Commission for approval by the City; consistent therewith, the Developer currently intends to develop and improve all or a portion of the Property as a master-planned, mixed-use community in various phases, with single family and multifamily residential dwelling units, commercial development, industrial development, institutional development, public/community developments, and other uses permitted in conformance with the City-approved PUD.

G. To facilitate the development of the Property, and subject to and in accordance with the terms of this Agreement and the limitations hereinafter stated, the City has agreed either through its City Council or by delegation to the Board of Directors of the Reinvestment Zone to (i) undertake to construct, or cause to be constructed, various public improvements consisting of the TIRZ Improvements and the City Improvements, and to incur Project Costs in connection with the TIRZ Improvements and pay for such Project Costs using the proceeds of TIRZ Bonds in accordance with this Agreement, and (ii) use the proceeds of the TIRZ Bonds to pay the costs of those eligible Project Costs that either or both of the Developer and the City incurs in connection with the acquisition, redevelopment (including, without limitation, site preparation, installation of utilities, construction of public improvements, whether on site or off site), financing and use of the Property.

H. The parties expect to create a public improvement district to provide, for the benefit of the Property, certain additional "public improvements" as defined in TEX. LOCAL GOV'T CODE, ch. 372, and the parties expect to cooperate in the creation and operation thereof.

I. This Agreement has been submitted to the City for consideration and review, and the City has taken all actions required to be taken prior to the execution of this Agreement to make the same binding upon the City according to the terms hereof.

J. The City, after due and careful consideration, has concluded that the development of the Property in the Reinvestment Zone as provided for herein will further the growth of the City, facilitate the development of the entire Reinvestment Zone, improve the environment of the City, increase the assessed valuation of the real estate situated within the City, foster increased economic activity within the City, increase employment opportunities within the City, upgrade public infrastructure within the Reinvestment Zone, and otherwise be in the best interests of the City by furthering the health, safety, morals and welfare of its residents and taxpayers, and that entering into this Agreement is necessary and convenient to implement the Plans and achieve their purposes.

K. The City desires to have the Developer undertake the Project to serve the needs of the City, to produce increased tax revenues for the various taxing units authorized to levy taxes on real property within the Reinvestment Zone, to stimulate and induce the development of the Reinvestment Zone, and to finance the Project Costs, using property tax increment revenues and the proceeds of the TIRZ Bonds, all in accordance with the terms and provisions and this Agreement.

NOW, THEREFORE, in consideration of the foregoing and of the mutual covenants and agreements herein contained, and other good and valuable consideration, the receipt and sufficient of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I.

DEFINITIONS: INCORPORATION OF RECITALS

1.1 **Definitions.** Capitalized terms used herein, including the recitals hereto, shall have the meanings set forth in this section, unless otherwise defined, or unless the context clearly requires another definition.

1999 Dollars means aggregate payments that equate to a net present value on the date of this Agreement, adjusted in accordance with the Engineering News Record regional construction index applicable to the City, or in the event such publication no longer maintains such index, a similar index mutually agreeable to the parties.

Act means the Tax Increment Financing Act, TEX. TAX CODE, ch. 311, as amended.

Administrative Fee means the City's fee for providing certain services to the Reinvestment Zone in the amounts described in Section 5.3, below.

Bond Proceeds means all net proceeds, after deducting all issuance costs and any amounts for capitalized interest and reserves, received by the City in connection with the issuance and sale of TIRZ Bonds.

City means the City of Pearland, Texas, a home rule municipality located in the counties of Brazoria, Harris, and Fort Bend, Texas.

City Facilities means the TIRZ Improvements to be constructed directly by the City as a Project Cost, being police and fire stations, a City Hall annex, and a City library building, up to the maximum funding described on Exhibit B.

City Improvements means various public improvements to be constructed and financed by the City using funds other than the Tax Increment or the proceeds of TIRZ Bonds supported thereby, as more fully set forth in Section 4.4(b) below.

City Increment means the City's "tax increment," as such term is defined in §311.012(a) of the Act, within the Reinvestment Zone.

Developer means Shadow Creek Ranch Development Company, L.P., a Nevada limited partnership.

EDA Grant means the grant awarded to the City from the U.S. Economic Development Agency on September 4, 1998.

Educational Facilities shall have the same meaning as understood for such term under the Act.

Financing Plan means the financing plan approved by the Board of Directors of the Reinvestment Zone, and approved by the City Council by Ordinance No. 918, on August 23, 1999.

Fund means the Tax Increment Fund created by the City pursuant to the Act, this Agreement and the ordinances adopted by the City relating to the Reinvestment Zone.

gpd means gallons per day of capacity, average daily flow.

Improvement Fund means the special sub-account of the Fund, the operation of which is described in Section 5.1(g)(ii), below.

Improvements means the TIRZ Improvements and the City Improvements, collectively.

Letter of Acceptance means a certificate of the City certifying the completion of a discrete portion of the Project or the TIRZ Improvements constructed by or under the supervision of the Developer or a Subdeveloper in accordance with the applicable plans and regulations.

Master Improvements means first \$20,000,000 of TIRZ Improvements constructed by the Developer.

PID means a public improvement district created and operating pursuant to TEX. LOCAL GOV'T CODE, ch. 372 (Vernon Supp. 1999).

Plans means the Project Plan and the Financing Plan, which may be combined in one document.

Project means the real estate development planned for the Property, as more fully described in Paragraph F of the recitals hereto.

Project Plan means the project plan approved by the Board of Directors of the Reinvestment Zone, and approved by the City Council by Ordinance No. 918, on August 23, 1999.

Project Costs means and includes all costs defined as "project costs" in § 311.002(1) of the Act as now or hereafter provided, incurred in connection with the TIRZ Improvements.

Property means the approximately 3,467-acre tract legally described in **Exhibit A** attached hereto and made a part hereof .

PUD means the Planned Unit Development for the Property adopted pursuant to the City of Pearland Land Use and Urban Development Ordinance.

Reinvestment Zone means the Tax Increment Financing Reinvestment Zone Number Two, City of Pearland, Texas, created by the City to include the Property.

Subdeveloper means a developer within the Reinvestment Zone who is developing a portion of the Reinvestment Zone other than the Developer.

Subdeveloper Improvements means TIRZ Improvements constructed by a Subdeveloper.

Tax Increment means the amount of tax revenue collected as determined pursuant to § 311.012 of the Act and deposited in the Fund in accordance with this Agreement and the participation agreement with any participating taxing unit.

TIRZ Bonds means a debt instrument or other instruments to finance TIRZ Improvements to be issued and sold by the City in accordance with the Act (and in accordance with a schedule of issuance agreed to by the Parties) in the aggregate principal amount necessary to produce net Bond Proceeds of up to \$114,000,000 (in 1999 Dollars) and, if issued pursuant to the Act, having a term not to exceed the maximum term permitted by §311.015(1) of the Act.

TIRZ Improvements means the various improvements to be financed from the Tax Increment or TIRZ Bonds supported thereby, as more fully set forth in **Section 4.4**, below, and **Exhibit B**.

Party or parties means all or any of the City, the Developer, and, with respect to **Article V**, any Subdevelopers, as applicable.

1.2 Recitals incorporated. The representations, covenants and recitations set forth in the recitals to this Agreement are material to this Agreement and are hereby found and agreed to be true and correct, and are incorporated into and made a part hereof as though they were fully set forth in this article.

ARTICLE II.

COOPERATION

Actions of the parties: compliance with the Plans. The parties agree to take such actions, including the execution and delivery of such documents, instruments, petitions and certifications (and, in the City's case, the adoption of such ordinances and resolutions), as may be necessary or

appropriate, from time to time, to carry out the terms, provisions and intent of this Agreement and to aid and assist each other in carrying out said terms, provisions and intent. Further, the City agrees (absent any uncured breach of the terms of this Agreement by the Developer resulting in a default pursuant to Section 9.2 hereof) that it will not revoke or amend ordinances that are or will be adopted by the City relating to the Reinvestment Zone, the PID, the PUD, and this Agreement except as is consistent and in compliance with the Plans. The Parties shall cooperate fully with each other in seeking from any or all appropriate governmental bodies (whether federal, state, county or local) financial or other aid and assistance required or useful for the construction or improvement of property and facilities in and on the Property or for the provision of services to the Property, including, without limitation, grants and assistance for public transportation, roads and highways, water and sanitary sewage facilities and storm water disposal facilities.

ARTICLE III.

EFFECTIVENESS OF AGREEMENT

This Agreement shall become effective from and after its approval and execution by both parties.

ARTICLE IV.

DEVELOPMENT AND USE OF THE PROPERTY AND CONSTRUCTION OF IMPROVEMENTS

4.1 Reinvestment Zone Board; delegation of powers. The City hereby acknowledges the authority of the Board of Directors of the Reinvestment Zone pursuant to the Act to enter into such agreements as the Reinvestment Zone Board considers necessary or convenient to implement this Agreement and the Plans and to achieve its purposes. The City hereby delegates to the Reinvestment Zone Board all powers relating to the implementation of the Plan, including without limitation the power to (i) select and retain consultants, including without limitation, attorneys, engineers, and administrators, and contracting with the City to assist in the implementation of the Plans; and (ii) approve plans and specifications, award contracts, and approve change orders and payments in accordance with this Agreement; provided that nothing in this section or this Agreement shall be construed to delegate to the Reinvestment Zone Board the power to levy taxes.

4.2 The Project. All property within the Reinvestment Zone shall be developed in accordance with the PUD's standards and conditions. The Developer shall construct the Project in conformance with the approved PUD. Due to the size and complexity of the Project, the parties acknowledge that the Project will be constructed in phases. The City agrees that it will ensure that the terms of the PUD will apply uniformly to all applicable land within the Reinvestment Zone, including any land subsequently added by annexation to the Reinvestment Zone, and that any changes, additions or alterations to the PUD will be done only as may be consistent and in

compliance with the Plans, and following notice to the Developer so long as the Developer is the manager or developer of at least ten percent of the acreage within the Reinvestment Zone. The City and the Developer agree that no building permits shall be requested or issued for a particular multi-family site included in the PUD until the TIRZ Improvements to serve such site are constructed. In order to determine which TIRZ Improvements are necessary to serve the multi-family sites included on the PUD, the City and the Developer shall refer to the map attached as Exhibit C, which map identifies the TIRZ improvements that must be constructed.

4.3 Utilities and fees. The City shall only levy or assess any special taxes, fees, exactions, impositions, or assessments of any form against the Property, not heretofore levied and assessed, if they are applicable to all other properties in the City equally and uniformly and in the same manner, or are consistent with the terms of the Plans; provided that, this section shall not affect such amounts (i) levied or assessed by or through a PID, or a municipal utility district, created in the Reinvestment Zone at the request of the Developer or its assignee, (ii) that are paid on behalf of the property within the Reinvestment Zone from funds received by the City from the Administrative Fee, or (iii) assessed by the City as an impact fee to finance water and sewer capacity of general application throughout the City in an amount initially of \$1,997.00 per single family residential equivalent (as of the date of this Agreement), and subject to revision in accordance with applicable law from time to time.

4.4 Construction of Improvements.

(a) The Improvements provided for in this Agreement consist of the TIRZ Improvements and the City Improvements. Exhibit B, as supplemented in **Subsection (b)**, below, designates the TIRZ Improvements (both Master Improvements and Subdeveloper Improvements) and the City Improvements. The City's obligation to construct or cause to be constructed the Improvements in accordance with this section shall become effective and enforceable upon execution. The City and the Developer shall cooperate and coordinate their activities with respect to the commencement and construction of the Improvements and the Project so that the commencement and construction of the Improvements shall occur at such times as are necessary to meet the construction time requirements of the Plans. The parties agree to jointly prepare (and update, from time to time, as necessary) a construction schedule of the Improvements in order to help implement the parties' obligations pursuant to this section. The City further agrees to supply the Developer with copies of all contracts to be entered into by the City with respect to the Improvements, as well as all change orders and requests therefor pursuant to such contracts prior to their approval by the City, all for the Developer's review and comment.

(b) Without limitation of the generality of the foregoing, as City Improvements, the City will:

- (i) construct and operate a 20-inch water line of sufficient capacity and delivered at sufficient pressure to serve all of the Property, extending from existing City of Houston water supply facilities into the Reinvestment Zone, along McHard

Road and Clear Creek to the East side of FM 521, to be completed on or before August 1, 2000;

- (ii) construct and operate a 16-inch water line of sufficient capacity and delivered at sufficient pressure to serve all of the Property, from existing City water supply facilities into the Reinvestment Zone, extending West across Highway 288, following County Road 92 to the intersection of future Kirby Drive, to be completed on or before December 1, 1999;
- (iii) construct and operate on-site water storage facilities and pressure pumps to provide sufficient capacity and delivered at sufficient pressure to serve all of the Property;
- (iv) construct and operate all sanitary sewer trunklines 12 inches in diameter or greater within the Reinvestment Zone, up to a total cost of \$4.3 million (including design and permits), with design and construction to commence upon approval of the Plans by the City; provided that, if any of such \$4.3 million remains following the construction of all such trunklines, the remainder will be used to construct additional sanitary sewer trunklines within the Reinvestment Zone, as such lines will be designated by the Developer provided such additional expenses are approved by the Texas Water Development Board;
- (v) assume lease payments on the temporary sewage treatment plant constructed by or on behalf of the Reinvestment Zone as a TIRZ Improvement once there are any residential connections connected thereto; provided that, the City's lease payment obligation is limited to the extent of any revenues generated by connections to the plant;
- (vi) construct and operate the initial phase of a permanent sewage treatment plant with a minimum capacity of approximately 2 million gpd, the plant to become operational by the time the temporary plant described in Item (v) above reaches 90 percent capacity;
- (vii) construct and operate all additional phases to the permanent sewage treatment plant sufficient to serve the ongoing and ultimate needs of the Reinvestment Zone, each phase thereof to become operational when the then existing permanent plant reaches 90 percent capacity;
- (viii) provide fire, police and other City services generally provided throughout the City in the same manner within the Reinvestment Zone as so provided, as development in the Reinvestment Zone warrants;

- (ix) design, finance, construct a regional park to serve the Reinvestment Zone, as may be determined in the discretion of the City Council.

(c) **Funding sources.** The City Improvements described in Subsection (b), above, shall be funded as provided in this subsection. Items (i), (ii) and (iii) will be paid from water and sewer impact fee revenues, the proceeds of revenue bonds issued by the City secured by such impact fees, and grant funds; Item (iv) will be paid from current funds available from the proceeds of a State revolving fund loan; Item (v) will be paid from water and sewer system revenues generated from the Property; Items (vi) and (vii) will be paid from water and sewer impact fee (or other form of equivalent capital recovery, connection or contract charges that the City and Developer may agree) revenues, and the proceeds of revenue bonds issued by the City secured by such impact fees; and Item (viii) and (ix) will be paid from lawfully available funds that may be currently available in the budget year in which such services or improvements are designated to be carried out. The City agrees to use its best efforts to collect such revenues, issue such bonds, and appropriate such funds as may be required to finance the City Improvements.

(d) (i) To the extent that any of the TIRZ Improvements to be constructed under the management of the Developer are to be located in City owned rights-of-way, the City shall: (1) grant to the Developer and its designees access thereto to enable the construction of such TIRZ Improvements, or (2) acquire the right-of-way necessary under the provisions of State law, utilizing, when necessary, the City's power of eminent domain.

(ii) All plans and specifications for the TIRZ Improvements shall be submitted to the City for review and approval prior to the commencement of construction.

(iii) The City and the Developer agree and acknowledge that the Developer may seek and receive payment and reimbursement in accordance with this Agreement for all Project Costs the Developer incurs, out of Bond Proceeds and Tax Increment and other funds available under this Agreement. Notwithstanding anything to the contrary contained in this Agreement. The City's obligation to issue TIRZ Bonds shall not exceed \$114,000,000 (in 1999 Dollars), plus the cost of issuance, developer interest, capitalized interest and necessary reserve funds in connection with such TIRZ Bonds. To the extent the Tax Increment generated from the Reinvestment Zone is insufficient to pay debt service on the TIRZ Bonds described in the preceding sentence, the TIRZ Bonds may be reduced or issued in phases.

(iv) The City shall terminate the Reinvestment Zone, as provided in §311.017(a) of the Act, on the earliest possible date after which all Project Costs with respect to the TIRZ Improvements, as well as all TIRZ Bonds and interest thereon, have been paid in full.

(v) The City shall establish administrative procedures to recover from connection fees it imposes on new connections to the City water and wastewater system, a prorated surcharge for each connection in the service area that is served by the water and sewer TIRZ improvements

along County Road 48, Kirby Drive and McHard Road, which surcharge shall include, at a minimum, the cost of the line and initial plant capacity, including the interest or financing costs. The City agrees to deposit all of such surcharges to the credit of the Tax Increment Fund.

4.5 Developer's rights in the event of the City's default: contractor bonds.

(a) In the event the City fails to complete the TIRZ Improvements or defaults under this Agreement, then the Developer, in addition to its rights under Section 9.2 of this Agreement, may compel the City to fund from TIRZ funds and complete the Improvements by mandamus, specific performance or mandatory permanent injunction.

(b) In the event the City fails to complete the City Improvements or defaults under this Agreement, then the Developer, in addition to its rights under Section 9.2 of this Agreement, may compel the City to fund and complete the City Improvements by mandamus, specific performance or mandatory permanent injunction.

(c) Without limitation, the City further covenants to require and enforce payment and performance bonds of contractors constructing the Improvements.

4.6. Developer's obligations.

(a) The Developer's and Subdeveloper's contributions, in addition to the other obligations described in this Agreement, include the following:

(i) petition for the creation of the Reinvestment Zone and the PID;

(ii) implement the Plans and the PUD, provided that the Developer shall not be required to provide additional stormwater drainage capacity to benefit property outside the TIRZ unless Brazoria County Drainage District No. 4 executes a binding agreement with the City to contribute at least 50% of its tax increment to the Reinvestment Zone for the term of the Zone no later than December 31, 1999;

(iii) use its best efforts to construct the water line connection between the proposed water plant at FM521 and the proposed water line at CR92/Kirby Drive by December 31, 2000. The City agrees to use its best efforts to obtain an extension of the EDA grant deadline and, if successful, the Developer will use its best efforts to complete the line within the extended time period;

(iv) adopt deed restrictions and other restrictive covenants, and promulgate the Developer's guidelines regarding development standards, consistent with the PUD and relevant City regulation;

(v) require Subdevelopers to abide by the Developer's development standards, and provide for enforcement mechanisms for restrictive covenants;

(vi) assemble the Property for ownership and development (estimated cost \$30,000,000.00);

(vii) oversee and construct neighborhood improvements and amenities, such as water, sanitary sewer and drainage facilities and payment of impact fees (estimated cost \$76,215,000);

(viii) cause the maintenance of lakes and channels, parks and recreation facilities, rights of way, landscaping, monumentation, greenbelts and the hike/bike system to be funded through a PID assessment or homeowner's association assessment;

(ix) advertise and market the Project (estimated cost over ten years \$10,000,000.00);

(x) pay property taxes (estimated cost over 15 years \$20,000,000.00);

(xi) maintain the Property (estimated cost over 15 years \$3,500,000.00);

(xii) pay legal and other professional expenses (estimated cost over 15 years \$2,000,000.00);

(xiii) pay land planning, architectural, engineering, surveying, and design expenses (estimated cost over 15 years \$3,000,000.00);

(xiv) cause to be constructed TIRZ Improvements up to \$109,000,000, as outlined in the Plans, subject to reimbursement as provided in this Agreement.

(b) The above items describe the efforts and contributions of the Developer, both prior to and during the term of this Agreement, to the Project. Amounts described are estimates only, and certain items, such as (vii), (viii), and (xii) are intended to be partially or totally reimbursed to either the Developer or a Subdeveloper pursuant to this Agreement or through the PID.

4.7 Annexation of additional property. The parties agree and recognize that from time to time the City may receive requests for the addition of property adjacent to the Reinvestment Zone to be annexed into the Reinvestment Zone. The City agrees that property will not be annexed into the Reinvestment Zone except as is consistent with the Plans.

ARTICLE V.

PAYMENT AND REIMBURSEMENT OF
ELIGIBLE PROJECT COSTS

5.1 TIRZ Bonds: reimbursements.

(a) The parties acknowledge that the development of the Property in the Reinvestment Zone as provided in the Project Plan and this Agreement can only occur with the use of Bond Proceeds, which Bond Proceeds, together with Tax Increment and other funds available under this Agreement, shall be used to reimburse the Developer or Subdeveloper for eligible Project Costs. TIRZ Bonds shall be issued in one or more installments to pay the Project Costs of the TIRZ Improvements, including both the Master Improvements, and the Subdeveloper Improvements.

(b) The TIRZ Bonds and payment of other eligible Project Costs shall be secured by the Tax Increment and interest earned on investment of monies within the Fund. The City pledges that it will deposit the entirety of such funds into the Fund. The amounts deposited in the Fund shall be disbursed in accordance with this Agreement, the TIRZ Bonds and any trust indenture entered into, or bond authorization documents adopted, in connection with the TIRZ Bonds (which trust indenture or bond ordinance shall not conflict with the provisions of this Agreement). The City covenants and agrees to deposit all Tax Increment into the Fund promptly upon the City's receipt of any Tax Increment and to disburse funds from the Fund in accordance with this Agreement solely (A) to make payments of principal and interest on TIRZ Bonds as and when due, (B) to pay eligible expenses of the Reinvestment Zone, including creation costs and operating expenses, (C) to pay Project Costs, and (D) to reimburse the Developer or a Subdeveloper amounts equal to eligible Project Costs, plus interest, incurred by the Developer or a Subdeveloper in accordance with this Agreement. Notwithstanding the above, to pay for services rendered by the City in the Reinvestment Zone, including imputed administrative costs, including reasonable charges for the time spent by employees of the City in connection with the implementation of the Plans, the City may withdraw the Administrative Fee described in Section 5.3, below from the Tax Increment on or about September 1 of each year, commencing in 2002.

(c) The City agrees to use its best efforts to issue the TIRZ Bonds to fund reimbursements as provided herein in accordance with the Developer's timing needs to develop the Project. In addition, the City will provide the Developer with copies of any proposed bond ordinance or indenture in connection with the TIRZ Bonds, and to allow the Developer to offer reasonable comments thereto.

(d) To the fullest extent permitted by law, the City agrees that (i) it will not pledge or apply the Tax Increment or any other monies in the Fund to any other purpose or payment of any obligation of the City except for the TIRZ Bonds and obligations arising under this Agreement; (ii) it will not commingle the Tax Increment with any other funds of the City; (iii) it will not take any

action or omit to take any action that will affect the continued existence of the Fund or the availability of the Tax Increment to pay the TIRZ Bonds and the other obligations under this Agreement; (iv) it will take all actions and submit all documents in a timely manner to receive all Tax Increment; (v) it will institute and pursue to a final order or judgment any bond validation action or suit upon reasonable request by the Developer; (vi) it will not refund the TIRZ Bonds in any manner inconsistent with the Plans; and (vii) it will direct the investment of the Tax Increment in accordance with Texas law applicable to investment of funds by municipalities.

(e) The parties and any assignees of the parties will take all actions necessary to ensure that the interest payable on the TIRZ Bonds is and remains exempt from taxation under the Internal Revenue Code of 1986, as amended, and regulations promulgated thereunder.

(f) Notwithstanding the provisions of this section relating to the issuance of TIRZ Bonds to finance TIRZ Improvements, including Developer and Subdeveloper reimbursements, such payments may be made directly from the accrued Tax Increment if the parties agree that such funds are available therefrom for such purpose.

(g) Construction of TIRZ Improvements; reimbursement.

(i) The TIRZ Improvements are described in Exhibit B, and shall not be changed except as may be consistent with the Plans and this Agreement. Except for City Facilities and Educational Facilities described in (h) below, the TIRZ Improvements will be advance-funded by the Developer or a Subdeveloper, subject to reimbursement from Bond Proceeds or available Tax Increment, as provided in this subsection. The Developer or a Subdeveloper shall submit to the Reinvestment Zone Board a description of the TIRZ Improvements to be constructed for review and approval with regard to compliance with the requirements of this Agreement and the Plans.

(ii) The total amounts owing or to become owing for funds advanced from time to time under this subsection shall bear simple interest commencing at the time the funds are advanced to pay for the applicable TIRZ Improvements, or advances spent for the creation, organization and administration expenses of the TIRZ, continuing until paid, for a maximum period of five years from the completion of the applicable TIRZ Improvements or of the creation or administration advance.

(iii) Reimbursements.

(A) Timing. The Reinvestment Zone shall reimburse the Developer or a Subdeveloper as soon as practicable once (1) the applicable TIRZ Improvements have been completed and the Letter of Acceptance received with respect thereto, and (2) the City has issued TIRZ Bonds (unless the reimbursement is to be made from

available Tax Increment as described in subsection (f), above), for such purpose as described below, but only from available Bond Proceeds thereof.

(B) Developer reimbursements. Prior to the construction of any TIRZ Improvements by the Developer, the TIRZ Board shall determine the area of the Reinvestment Zone to be benefited from such improvements. The City agrees to sell TIRZ Bonds to reimburse the Developer for the full amount of eligible TIRZ Improvements, plus amounts required to reimburse the Developer for funds advanced in connection with the creation and administration of the Reinvestment Zone and the conception, design and construction of the TIRZ Improvements, plus simple interest calculated at (i) eight percent per annum with respect to Master Improvements and the first \$1,000,000 of creation and administration advances for a maximum period of five years from completion of the applicable TIRZ Improvements or of the creation or administrative advance, and (ii) 6.5 percent per annum with respect to other TIRZ Improvements and any remaining creation and administration advances, at such time as the unencumbered Tax Increment generated within the benefited area is sufficient to support the applicable TIRZ Bonds bearing interest at the then-current rate of interest for comparable issues, with a debt coverage of not less than 1.25 of proposed and outstanding TIRZ Bonds, after taking into account the portion of the Tax Increment required to pay the Administrative Fee, City Facilities, Educational Facilities, and costs of administering the Reinvestment Zone.

(C) Subdeveloper reimbursements. A particular Subdeveloper shall have the benefit of the Tax Increment attributable to such Subdeveloper's development, subject to the financing of the Master Improvements, and further subject to the preservation of the general creditworthiness of the Reinvestment Zone as a whole. Consistent therewith, the City agrees to sell TIRZ Bonds to reimburse the Subdeveloper for the full amount of eligible Subdeveloper Improvements, plus simple interest calculated at 6.5 percent per annum for a maximum period of five years from completion of the applicable TIRZ Improvements, at such time as the Tax Increment generated by the portion of the Reinvestment Zone developed or under development by the applicable Subdeveloper is sufficient to support the applicable TIRZ Bonds bearing interest at the then-current rate of interest for comparable issues, with a debt coverage of not less than 1.25 of proposed and outstanding TIRZ Bonds, after taking into account the portion of the Tax Increment required to pay for the Administrative Fee, Educational Facilities, Master Improvements, and costs of administering the Reinvestment Zone.

(D) Notwithstanding the above, the obligation to issue TIRZ Bonds pursuant to this Item (iii) is conditioned upon (1) the Developer or Subdeveloper entering into an agreement with the Reinvestment Zone board specifying the TIRZ Improvements to be constructed, the area over which the available Tax Increment is to be computed,

and related matters; (2) compliance with all competitive bidding and other laws relating to the solicitation and award of public works contracts, as such are applicable to similar City public improvement contracts; and (3) a determination of the Reinvestment Zone's financial advisor that the (y) TIRZ Bonds required for such reimbursement are reasonably marketable, and (z) issuance thereof will not have a materially detrimental effect on the viability of any outstanding TIRZ Bonds.

(iv) Reimbursement to the Developer or a Subdeveloper for real property required for TIRZ Improvements shall be made in an amount equal to the lesser of either (1) the Developer or Subdeveloper's actual cost plus simple interest (calculated as applicable to the recipient) until paid, or (2) the appraised value of the real property at the time of the reimbursement; provided that, the payment for land required for Educational Facilities shall be paid based on the fair market value of residential property.

(h) City Facilities. The City Facilities will be financed with the proceeds of TIRZ Bonds or Increment on a schedule consistent with the development of the Zone, and as sufficient Tax Increment is created within the Zone, taking into consideration the requirements of all then-outstanding TIRZ Bonds and any then-outstanding reimbursement obligations; provided that the City may finance City Facilities using other available funds, to be reimbursed from TIRZ Bond proceeds.

(i) Educational Facilities. Educational Facilities to be constructed as a part of the Plans shall be determined by Alvin Independent School District ("AISD"), using a portion of the AISD Tax Increment, to be disbursed in accordance with the AISD participation agreement. Seventy-five percent of the AISD Tax Increment shall be disbursed to AISD to be used for the financing of Educational Facilities in accordance with the Act and applicable law relating to such facilities. In the event Fort Bend Independent School District ("FBISD") agrees to participate in the Reinvestment Zone, this paragraph shall apply with respect to the amount of its Tax Increment to be disbursed to FBISD in accordance with its participation agreement, and the definition of Educational Facilities shall be considered to include FBISD facilities as well as AISD facilities. TIRZ Bonds will not be issued to finance Educational Facilities.

5.2 City accounting. The City shall maintain complete books and records showing deposits to and disbursements from the Fund and Improvement Fund of Tax Increment and Bond Proceeds, which books and records shall be deemed complete if kept in accordance with generally accepted accounting principles as applied to Texas municipalities and in accordance with the provisions of the Act. Such books and records shall be available for examination by the duly authorized officers or agents of the Developer and any Subdeveloper during normal business hours upon request made not less than five business days prior to the date of such examination. The City shall maintain such books and records throughout the term of this Agreement and for four years thereafter, all subject to the requirements of the Act.

5.3 Administrative Fee. The Administrative Fee shall be the following amounts in the applicable calendar years commencing January 1, 1999:

Years 1-3 (1999-2001)	No Administrative Fee.
Years 4-8 (2002-2006)	36 percent of the City Increment.
Years 9-30 (2007-2028)	64 percent of the City Increment.

provided that, the amount deposited and retained annually in the Fund attributable to the City Increment for the applicable year shall in no event be less than (i) in years 4-8, 44¢ per \$100.00 of the "captured appraised value" (as such term is defined in §311.012(b) of the Act) of the City Increment, and (ii) in years 9-30, 25½¢ per \$100.00 of such amount.

ARTICLE VI COMPLETION OF TIRZ IMPROVEMENTS

Promptly upon the completion of construction of any of the TIRZ Improvements, the City shall furnish a Letter of Acceptance so certifying. Each Letter of Acceptance shall be in a recordable form, and shall be a conclusive determination of satisfaction and termination of the covenants in this Agreement with respect to the obligations of the Developer or a Subdeveloper to construct such TIRZ Improvements. Upon written request for a request for a Letter of Acceptance, the City shall have 30 days after receipt thereof to provide a Letter of Acceptance or a written statement indicating in detail why the certificate cannot be issued, and what measures or acts will be necessary, in the reasonable opinion of the City citing applicable laws and ordinances for the Developer or Subdeveloper to take or perform in order to obtain issuance of such Letter of Acceptance. The Developer or Subdeveloper will follow standard City requirements applicable to all developers within the City with regard to the acceptance of facilities by the City.

ARTICLE VII PUBLIC SAFETY AND OTHER IMPROVEMENTS

7.1 Police and fire protection. The Developer and the City recognize that providing a Project that is safe and secure is in the best interests of both the Developer and the City. To that end, the City commits to providing a law enforcement and fire fighting presence in the Project. The City shall finance such services from the Administrative Fee and other available City revenues.

7.2 Improvements by other entities.

(a) Generally. The parties recognize that other improvements are expected to be carried out within the area of the Reinvestment Zone by other entities than the parties. Specifically, the parties

contemplate the creation of one or more PIDs to provide "public improvements" as such term is defined in TEX. LOCAL GOV'T CODE, § 372.003, or one or more municipal utility districts under TEX. WATER CODE, ch. 54, pursuant to then-current city requirements. Upon the submission of a legally sufficient petition therefor, the City will cooperate with the petitioners to create such districts, and once a PID is created, to levy a PID assessment thereunder reasonably sufficient to carry out the purposes for which the PID may be created.

(b) The PID. Without limitation of the generality of subsection (a), it is currently anticipated that the PID shall be created to levy assessments within the area of the Reinvestment Zone to finance the construction of public water, sewer and drainage facilities and impact fees, including contingencies, and engineering and legal services. In addition, the parties anticipate that certain supplemental services, including maintenance of public improvements and common areas and general administrative expenses will be financed by a separate maintenance assessment similar to homeowner's association assessments. The cost of the PID improvements is anticipated at approximately \$76,215,000. Each assessment is expected to be made on the basis of the area of the tracts to be benefited by the applicable PID improvements.

ARTICLE VIII

AUTHORITY: COVENANTS

8.1 Actions. The City covenants to the Developer and agrees that upon application of the Developer, the City will use its best efforts to the extent permitted by law to take such actions as may be required and necessary to process any amendments, variations, special use approvals and permit applications relating to the Zoning Ordinance and the City's other ordinances, codes and regulations, as may be necessary or proper in order to insure the development of the Property and the Project in accordance with the Plans, this Agreement and the PUD and to enable the City to execute this Agreement and to carry out fully and perform the terms, covenants, agreements, duties and obligations on its part to be kept and performed as provided by the terms and provisions hereof. The City's willingness to use its powers of condemnation with respect to the construction of public projects consistent with this Agreement shall not be construed as a delegation of such condemnation powers to the Reinvestment Zone.

8.2 Powers.

(a) The City hereby represents and warrants to Developer that the City has full constitutional and lawful right, power and authority, under currently applicable law, to execute and deliver and perform the terms and obligations of this Agreement, and all of the foregoing have been or will be duly and validly authorized and approved by all necessary City proceedings, findings and actions. Accordingly, this Agreement constitutes the legal, valid and binding obligation of the City, is enforceable in accordance with its terms and provisions and does not require the consent of any other governmental authority.

(b) The Developer hereby represents and warrants to the City that Developer has full lawful right, power and authority to execute and deliver and perform the terms and obligations of this Agreement and all of the foregoing have been or will be duly and validly authorized and approved by all necessary actions of Developer. Concurrently with Developer's execution of this Agreement, Developer has delivered to the City copies of the resolutions or other corporate actions authorizing the execution of this Agreement and evidencing the authority of the persons signing this Agreement on behalf of Developer to do so. Accordingly, this Agreement constitutes the legal, valid and binding obligation of Developer, and is enforceable in accordance with its terms and provisions.

8.3 Authorized parties. Whenever under the provisions of this Agreement and other related documents and instruments or any supplemental agreements, any request, demand, approval, notice or consent of the City or Developer is required, or the City or Developer is required to agree or to take some action at the request of the other, such request, demand, approval, notice or consent, or agreement shall be given for the City, unless otherwise provided herein, by the City Manager or his designee and for Developer by any officer of Developer so authorized (and, in any event, the officers executing this Agreement are so authorized); and any party shall be authorized to act on any such request, demand, approval, notice or consent, or agreement.

8.4 Covenants regarding ad valorem taxes.

(a) No inventory valuation. The Developer, as well as all Subdevelopers, shall value all real property within the Reinvestment Zone for taxation in accordance with TEX. TAX CODE, §23.01, and that they will not request such property to be valued for taxation on the basis of inventory as permitted by TEX. TAX CODE, §23.12.

(b) Agricultural valuation. This Agreement shall not be construed to prevent any owner from claiming agricultural valuation on the Property. The Developer agrees that for any tax year from 1999 until termination of the Reinvestment Zone that agricultural designation is claimed on the property within the Reinvestment Zone owned by either the Developer or Pearland Investments, L.P., the Developer agrees to make a supplemental payment to the City equal to the amount of taxes the City would have collected on such property if there was no agricultural designation. By way of example, this means that if the property was appraised on the City's tax rolls at \$1,000 per acre, but the agricultural designation lowered the taxable value to \$100 per acre, the Developer would make a supplemental tax payment to the City based on a value of \$900 per acre. This payment would be made at the same time taxes are paid. Whenever the agricultural designation is removed on any of the property from tax year 1999 until termination of the Reinvestment Zone for any reason that triggers payment of "rollback" taxes, the Developer will be given a credit by the City against the amount of "rollback" taxes due. This is due to the fact that "rollback" taxes are collected to allow the City to recover the amount of tax that would have been paid but for the agricultural designation. If the Developer has made the supplemental payments described herein, the City would have already

received the "rollback" for each of those years. Statutory interest imposed at the time of the change in use will not be charged for tax years in which this supplemental payment was made.

(c) Application of ad valorem tax covenants to successors. This Section is binding upon all future owners of the Property purchasing from or otherwise succeeding the Developer, other than current owners (except for the Developer) or current lienholders. The Developer agrees that it will require subsequent purchasers of the Property to agree to abide by the terms of this section.

8.5 Cooperation. The Developer agrees that it will cooperate with the City and the Reinvestment Zone and will provide all necessary information to the Reinvestment Zone and its consultants to assist the Reinvestment Zone in complying with this Agreement.

ARTICLE IX GENERAL PROVISIONS

9.1 Time of the essence. Time is of the essence of this Agreement. The parties will make every reasonable effort to expedite the subject matters hereof and acknowledge that the successful performance of this Agreement requires their continued cooperation. All dates and time periods provided for in this Agreement shall be delayed during any pending or threatened litigation that would affect the ability to issue the TIRZ Bonds, acquire the Property or commence or continue with construction of the Improvements or the Project, for a time period equal to the duration of such litigation.

9.2 Default.

(a) A party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such party fails to materially perform, observe or comply with any of its covenants, agreements or obligations hereunder or breaches or violates any of its representations contained in this Agreement.

(b) Before any failure of any party to perform its obligations under this Agreement shall be deemed to be a breach of this Agreement, the party claiming such failure shall notify, in writing, the party alleged to have failed to perform of the alleged failure and shall demand performance. No breach of this Agreement may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining party within 30 days of the receipt of such notice, subject, however, to the terms and provisions of Section 9.2(c). Upon a breach of this Agreement, the non-defaulting Party, in any court of competent jurisdiction, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained, may be awarded damages for failure of performance, or both. Except as otherwise set forth herein, no action taken by a Party pursuant to the provisions of this Section pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies and all

remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any Party at law or in equity. Each of the Parties shall have the affirmative obligation to mitigate its damages in the event of a default by the other Party.

(c) Notwithstanding anything in this Agreement which is or may appear to be to the contrary, if the performance of any covenant or obligation to be performed hereunder by any Party is delayed as a result of circumstances which are beyond the reasonable control of such Party (which circumstances may include, without limitation, pending or threatened litigation, acts of God, war, acts of civil disobedience, fire or other casualty, shortage of materials, adverse weather conditions [such as, by way of illustration and not limitation, severe rain storms or below freezing temperatures, or tornados] labor action, strikes or similar acts) the time for such performance shall be extended by the amount of time of such delay. The Party claiming delay of performance as a result of any of the foregoing "force majeure" events shall deliver written notice of the commencement of any such delay resulting from such force majeure event not later than seven days after the claiming Party becomes aware of the same, and if the claiming Party fails to so notify the other Party of the occurrence of a "force majeure" event causing such delay, the claiming Party shall not be entitled to avail itself of the provisions for the extension of performance contained in this Section.

(d) In addition to any other right or remedy available to Developer pursuant to this Agreement, in the event of a material breach by the City under this Agreement which continues for 30 days after written notice to the City thereof and the City's failure to cure or diligently proceed to cure such breach to Developer's reasonable satisfaction, Developer shall have the right (but not the obligation), in its sole discretion, to exercise its rights under Section 4.5, with regard to mandamus, specific performance or mandatory permanent injunction to require the City to do so.

9.3 Personal liability of public officials. To the extent permitted by State law, no public official or employee shall be personally responsible for any liability arising under or growing out of this Agreement.

9.4 Liability of the Developer, its successors and assignees. Any obligation or liability of the Developer whatsoever that may arise at anytime under this Agreement or any obligation or liability which may be incurred by the Developer pursuant to any other instrument, transaction or undertaking contemplated hereby shall be satisfied, if at all, out of the assets of the Developer only. No obligation or liability shall be personally binding upon, nor shall resort for the enforcement thereof be had to, the property of any of partners, officers, employees, shareholders or agents of the Developer, regardless of whether such obligation or liability is in the nature of contract, tort or otherwise.

9.5 Notices. Any notice sent under this Agreement (except as otherwise expressly required) shall be written and mailed, or sent by rapid transmission confirmed by mailing written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party at the following addresses:

If to the City: City Manager
 City of Pearland
 3519 Liberty Drive
 Pearland, Texas 77581
 RE: REINVESTMENT ZONE NUMBER TWO

with a copy to: City Attorney
 City of Pearland
 3519 Liberty Drive
 Pearland, Texas 77581
 RE: REINVESTMENT ZONE NUMBER TWO

If to the Developer:

 Shadow Creek Ranch Development Company, L.P.
 10777 Westheimer, Suite 1100
 Houston, Texas 77042
 Attention: Gary Cook

with a copy to: Lynne B. Humphries
 Vinson & Elkins L.L.P.
 2300 First City Tower
 1001 Fannin
 Houston, TX 77002-6760
 Fax No.: (713) 615-5601

Each party may change its address by written notice in accordance with this Section, Any communication addressed and mailed in accordance with this Section shall be deemed to be given when so mailed, any notice so sent by rapid transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when received for by, or actually received by, an authorized officer of the City or the Developer, as the case may be.

9.6 Amendments and waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is approved by the City Council and the Developer. No course of dealing on the part of the City or the Developer nor any failure or delay by

the City or the Developer with respect to exercising any right, power or privilege pursuant to this Agreement shall operate as a waiver thereof, except as otherwise provided in this Section.

9.7 Invalidity. In the event that any of the provisions contained in this Agreement shall be held unenforceable in any respect, such unenforceability shall not affect any other provisions of this Agreement and, to that end, all provisions, covenants, agreements or portions of this Agreement are declared to be severable.

9.8 Successors and assigns. No party to this Agreement shall have the right to assign its rights under this Agreement or any interest herein, without the prior written consent of the other parties, except that the Developer may assign its rights and responsibilities hereunder to any entity to which substantially all of its assets and its rights to proceed with development of the property within the Zone are transferred. In connection with an assignment by the Developer of its development rights and obligations under this section, the Developer may file a memorandum of this Agreement in the official real property records of the applicable county to evidence the rights and obligations of such assignee and its successors hereunder.

9.9 Exhibits, titles of articles, sections and subsections. The exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail. All titles or headings are only for the convenience of the parties and shall not be construed to have any effect or meaning as to the agreement between the parties hereto. Any reference herein to a section or subsection shall be considered a reference to such section or subsection of this Agreement unless otherwise stated. Any reference herein to an exhibit shall be considered a reference to the applicable exhibit attached hereto unless otherwise stated.

9.10 Applicable law. This Agreement is a contract made under and shall, be construed in accordance with and governed by the laws of the United States of America and the State of Texas, and any actions concerning this Agreement shall be brought in either the Texas State District Courts of Brazoria County, Texas or the United States District Court for the Southern District of Texas.

9.11 Entire agreement. This written agreement represents the final agreement between the parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the parties. There are no unwritten oral agreements between the parties.

9.12 Term of Agreement. The term of this Agreement shall commence on the date first above written and shall continue until the date which is the earlier of (a) the completion of the Project and the payment to Developer of all costs Developer or any Subdeveloper has incurred for eligible Project Costs, or (b) December 31, 2028.

9.13 No waiver of City standards. Except as may be specifically provided in this Agreement, the City does not waive or grant any exemption to the Property or the Developer with respect to City regulations or ordinances, including without limitation platting, permitting or similar provisions.

9.14 Approval by the parties. Whenever this Agreement requires or permits approval or consent to be hereafter given by any of the parties, the parties agree that such approval or consent shall not be unreasonably withheld or delayed.

9.15 Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

9.16 Interpretation. This Agreement has been jointly negotiated by the parties and shall not be construed against a party because that Party may have primarily assumed responsibility for the drafting of this Agreement.

[Signatures begin on following page]

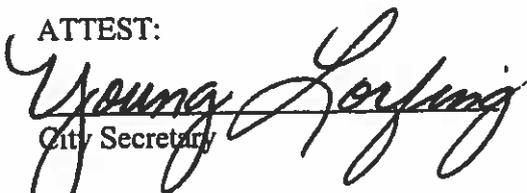
IN WITNESS WHEREOF, the Parties have duly executed this Agreement pursuant to all requisite authorizations as of the date first above written.

CITY:

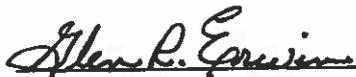
CITY OF PEARLAND, TEXAS, a home rule municipality

By: 
Mayor

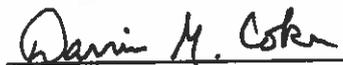
ATTEST:


City Secretary
(SEAL)

COUNTERSIGNED:


City Manager
Date countersigned: 9-15-99

APPROVED AS TO FORM:


City Attorney
Date: 9-15-99

DEVELOPER:

SHADOW CREEK RANCH DEVELOPMENT COMPANY, L.P., a Nevada limited partnership, by

SHADOW CREEK RANCH, INC.

By: 
Gary W. Cook, President

Exhibits

- A - Legal Description of Reinvestment Zone
- B - TIRZ Improvements/City Improvements
- C - Map showing TIRZ Improvements that must be constructed for building permits to be issued for multi-family sites

EXHIBIT A
LEGAL DESCRIPTION of the ZONE

November 3, 1998
Job No. 1545-9803-100

DESCRIPTION OF
3467 ACRES, MORE OR LESS
SHADOW CREEK RANCH
TAX INCREMENT REINVESTMENT ZONE

Being 3467 acres of land, more or less, located in the Dupuy and Roberts Survey, Abstract 726, Brazoria County; William Morris Survey, Abstract 344, Brazoria County; T. C. R. R. Co. Survey, Section 3, Abstract 678, Brazoria County; T. C. R. R. Co. Survey, Section 4 (John W. Maxcy), Abstract 675, Brazoria County; Obediah Pitts Survey, Abstract 717, Brazoria County; H.T. & B. R. R. Co. Survey, Section 80 (J.S. Talmage), Abstract 564, Brazoria County; H. T. & B. R. R. Co. Survey, Section 81, Abstract 300, Brazoria County; H. T. & B. R. R. Co. Survey, Section 82 (J. S. Talmage), Abstract 565, Brazoria County; H. T. & B. R. R. Co. Survey, Section 83, Abstract 305 in Brazoria County and Abstract 761 in Fort Bend County; S.G. Haynie Survey, Abstract 212 in Brazoria County and Abstract 620 in Fort Bend County; Franklin Hooper Survey, Abstract 198, Fort Bend County; George W. McDonald Survey, Abstract 577, Fort Bend County; I. C. Stafford Survey, Abstract 668, Fort Bend County and the H. Levering Survey, Abstract 279, Fort Bend County, Texas; said 3467 acres, more or less, being more particularly described as follows:

BEGINNING at the common north corner of Lots 3 and 4, Block 10 of the ALLISON - RICHEY GULF COAST HOME CO=S PART OF SUBURBAN GARDENS, SEC.=S 3 & 4, T.C.R.R. SURVEY AND SEC. 82, H. T. & B. R. R. CO. SURVEY & OBEDIAH PITTS SURVEY, a subdivision of record in Volume 2, Page 99 of the Plat Records of Brazoria County, Texas (B.C.P.R.) also being on the common line of the aforementioned T.C.R.R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, SOUTHERLY, 782 feet, more or less, along the common line of said Lots 3 and 4, to a point for corner on the southerly right-of-way line of Farm to Market Road 2234, 160 feet wide;

THENCE, EASTERLY, 998 feet, more or less, along said southerly right-of-way line and its easterly extension, to a point for corner on the west line of the J. Crawley Survey, Abstract 174, Brazoria County, Texas;

THENCE, SOUTHERLY, 3482 feet, more or less, along the west line of said J. Crawley Survey to a point for corner on the centerline of Hughes Ranch Road, also being the southwest corner of said J. Crawley Survey;

THENCE, EASTERLY, 421 feet, more or less, along the southerly line of said J. Crawley Survey and along said centerline of Hughes Ranch Road, to a point for corner on the centerline of State Highway 288;

THENCE, SOUTHERLY, 5326 feet, more or less, along said centerline of State Highway 288 to a point for corner on the southerly line of County Road 92, 40 foot wide, a dedicated road as shown on aforementioned ALLISON-RICHEY GULF COAST HOME CO.'S PART OF SUBURBAN GARDENS;

THENCE, WESTERLY, 9448 feet, more or less, along the southerly line of said County Road 92, to a point for corner on the west line of aforementioned H. T. & B. R. R. Co. Survey, Section 80 and the east line the H. T. & B. R. R. Co. Survey, Section 84 (R. B. Lyle). Abstract 538 in Brazoria County and Abstract 767 in Fort Bend County;

THENCE, NORTHERLY, 20 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84, to a point for corner, same being the common corner of said H. T. & B. R. R. Co. Survey, Section 80 and Section 84 and aforementioned H. T. & B. R. R. Co. Survey, Section 82 and Section 83;

THENCE, WESTERLY, 5280 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84, to a point for corner on the east line of aforementioned Franklin Hooper Survey, same being the common west corner of said H. T. & B. R. R. Co. Survey, Section 83 and Section 84;

THENCE, SOUTHERLY, 158 feet, more or less, along the common line of said H. T. & B. R. R. Co. Survey, Section 84 and the Franklin Hooper Survey, to a point for corner, same being the southeast corner of said Franklin Hooper Survey and the northeast corner of the A.B. Langerman Survey, Abstract 555, Fort Bend County, Texas;

THENCE, EASTERLY, 2636 feet, more or less, along the common line of said Franklin Hooper Survey and said A.B. Langerman Survey, to a point for corner on the easterly right-of-way line of Farm to Market Road 521;

THENCE, NORTHEASTERLY, 9667 feet, more or less, along said easterly right-of-way line, to a point for corner on the centerline of Clear Creek;

THENCE, NORTHEASTERLY, 1327 feet, more or less, along the centerline of Clear Creek to a point for corner on the aforementioned southerly right-of-way line of Farm to Market Road 2234;

THENCE, SOUTHEASTERLY, 1519 feet, more or less, along said southerly right-of-way line to a point for corner on the of Fort Bend and Brazoria County line;

THENCE, NORTHEASTERLY, 577 feet, more or less, along said county line, to a point for corner at the corner of Brazoria, Fort Bend and Harris Counties,
06/30 99

3467 Acres

November 3, 1998

Job No. 1545-9803-100

THENCE, NORTHEASTERLY, 2426 feet, more or less, along the of Brazoria and Harris County line, to a point for corner in the aforementioned centerline of Clear Creek;

THENCE, EASTERLY, 8250 feet, more or less, along the centerline meanders of Clear Creek to a point for corner on the northerly line of aforementioned Lot 3, Block 10 of said ALLISON-RICHEY GULF COAST HOME CO=S PART OF SUBURBAN GARDENS, same being on the aforementioned common survey line of the T. C. R. R. Co. Survey, Section 4 and the Dupuy and Roberts Survey;

THENCE, EASTERLY, 453 feet, more or less, along said north line of Lot 3, Block 10 and said common survey line to the POINT OF BEGINNING and containing 3467 acres, more or less.

LJA Engineering & Surveying, Inc.

EXHIBIT B

Items	TIRZ		City		TxDOT		Total Costs
	Project Costs (1)	Non-Project Costs					
INFRASTRUCTURE							
Streets							
Pavement	\$ 12,610,050			\$ 5,975,650		\$ 18,485,700	
Sidewalks	\$ 1,855,400					\$ 1,855,400	
Landscaping and Irrigation	\$ 9,675,350					\$ 9,675,350	
Entry Monuments	\$ 735,320					\$ 735,320	
Water System	\$ 3,025,863					\$ 3,025,863	
Wastewater System	\$ 6,940,354		\$ 3,500,000			\$ 10,440,354	
Storm Sewer System	\$ 10,155,776					\$ 10,155,776	
Lakes & Channels							
Improvements	\$ 29,121,916					\$ 29,121,916	
Land Cost	\$ 4,597,889					\$ 4,597,889	
Parks & Recreation							
Improvements	\$ 5,155,524					\$ 5,155,524	
Land Cost	\$ 2,383,545					\$ 2,383,545	
Major Improvements							
Water Plants							
Improvements		\$ 1,922,500				\$ 1,922,500	
Land Cost	\$ 20,000					\$ 20,000	
W W T P	\$ 340,000		\$ 20,200,000			\$ 20,540,000	
Lift Station	\$ 300,000					\$ 300,000	
Traffic Signals	\$ 600,000			\$ 1,100,000		\$ 1,700,000	
McHard Rd Reimbursables							
Miscellaneous	\$ 150,000					\$ 150,000	
Signal	\$ 100,000					\$ 100,000	
FM 2234 Bridge Widening				\$ 148,500		\$ 148,500	
SH 288 Access Road	\$ 1,000,000			\$ 1,000,000		\$ 2,000,000	
EDA Water Line			\$ 2,073,000			\$ 2,073,000	
Sewer Main Oversizing			\$ 269,400			\$ 269,400	
Contingencies & Engineering							
Contingencies (10 %)	\$ 8,181,116		\$ 3,480,535	\$ 812,415		\$ 12,474,066	
Engineering (15 %)	\$ 11,274,211		\$ 4,025,626	\$ 1,340,485		\$ 16,640,321	
Subtotal	\$ 108,267,923		35,471,061	10,277,050		\$ 154,016,034	
ZONE ADMINISTRATION/CREATION							
TIRZ Administration (1-3 yrs.)	\$ 466,000 (2)					\$ 466,000	
Reimbursable TIRZ Creation Costs	\$ 900,000					\$ 900,000	
Subtotal	\$ 1,366,000					\$ 1,366,000	
TOTAL	\$ 109,633,923		35,471,061	10,277,050		\$ 155,382,034	
CITY FACILITIES							
Library							
Improvements	\$ 2,395,000					\$ 2,395,000	
Land Cost	\$ 105,000					\$ 105,000	
Fire / Police Station							
Improvements	\$ 2,255,000					\$ 2,255,000	
Land Cost	\$ 245,000					\$ 245,000	
Subtotal	\$ 5,000,000					\$ 5,000,000	
EDUCATIONAL FACILITIES							
AISD Elementary School	\$ 41,600,000 (3)					\$ 41,600,000	
AISD Jr. High School	\$ 21,450,000 (3)					\$ 21,450,000	
AISD Fresh/Soph Campus	\$ 34,050,000 (3)					\$ 34,050,000	
FBISD Elementary School	\$ 11,000,000					\$ 11,000,000	
FBISD Middle School	\$ 25,000,000					\$ 25,000,000	
Subtotal	\$ 134,100,000					\$ 134,100,000	
GRAND TOTAL	\$ 248,733,923		35,471,061	10,277,050		\$ 294,482,034	

Cost analysis provided by LJA Engineering & Surveying, Inc.

(1) Figures are subject to cost adjustment per the Engineering News-Record Index over the life of the Zone.

(2) TIRZ Administration and Creation Costs are projected to be advanced by the Developer and are subject to reimbursement out of the first bond issue. Ongoing administration for the Zone is projected to be an annual expense paid out of the TIRZ increment based on a budget prepared by the Zone Board.

(3) Land cost will be included in the 25% AISD participation.

EXHIBIT "C"

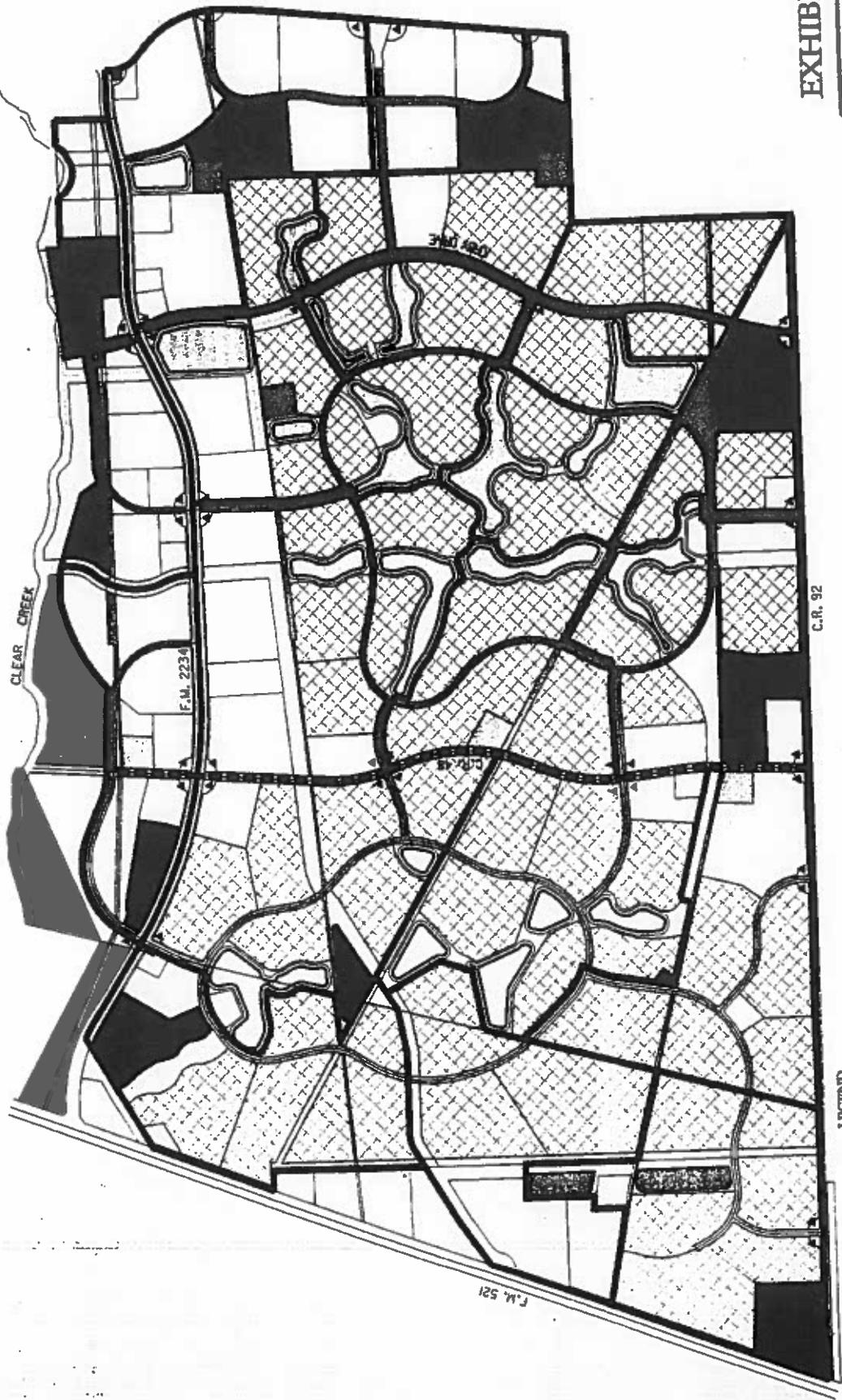
SHADY CREEK RANCH
MASTER PLAN

T.I.R.Z. IMPROVEMENTS FOR
MULTI-FAMILY SITES

L.A. Engineering & Surveying, Inc.
1000 Wilshire Blvd. Suite 110
Beverly Hills, CA 90210
Phone: 310-274-1100
Fax: 310-274-1101



U.S. 200



- LEGEND**
- PROPOSED WET DETENTION AREA
 - PROPOSED DRY DETENTION AREA
 - PROPOSED CHANNEL IMPROVEMENTS
 - PROPOSED MULTI-FAMILY SITE
 - PROPOSED SINGLE FAMILY SITE
 - PROPOSED PARK / LEISURE PARK
 - PROPOSED ENTRY MOVEMENT
 - ENTRY MOVEMENT
 - LEFT STATION

- PHASE BOUNDARY
- PHASE BOUNDARY OR SUB-SECTION PHASE BOUNDARY
- PROPOSED MULTI-FAMILY SITE
- PROPOSED SINGLE FAMILY SITE
- PROPOSED PARK / LEISURE PARK