



portions thereof, provided that the District agrees to pay the Developer for said goods and services out of proceeds from the future sale of Bonds as set forth herein; and

WHEREAS, the Developer and the District agree that the provisions of this Agreement and the goods and services to be provided to the District by the Developer hereunder substantially advance the legitimate interests of the District; and

WHEREAS, pursuant to the laws of the State of Texas, including Texas Water Code, Section 49.213, the District is authorized to enter into agreements whereby a developer constructs certain facilities on behalf of the District so that land in the District can be served with the facilities being provided by the District.

#### AGREEMENT:

FOR AND IN CONSIDERATION of the mutual promises, covenants, benefits and obligations hereinafter set forth, the receipt and sufficiency of which is hereby acknowledged by both Parties, the District and Developer hereby agree and contract as follows:

Section 1. The Developer, acting on behalf of the District, shall, from time to time as Developer's development schedule dictates, purchase, construct or otherwise cause the construction or acquisition of the Facilities or capacities needed for development of Developer's Land in the manner provided by the general law for municipal utility districts and municipal management districts and in full compliance with the applicable rules and regulations of the TCEQ, the provisions of the Texas Water Code, the regulations of Galveston County, Texas, the City of League City, and all other regulatory bodies having jurisdiction over such construction or acquisition. In addition, from time to time, as needed, Developer will loan to the District or pay on behalf of the District the costs to properly operate and maintain the District, such operating costs being hereinafter referred to as the "District's Operating Costs."

Section 2. The District's engineer, or such engineer chosen by Developer and reasonably acceptable to the District, shall serve as Project Engineer for the construction of the Facilities. The Project Engineer shall prepare plans and specifications for the Facilities; advise and make recommendations to the Board of Directors of the District (the "Board") upon the award of construction contracts on the Project; shall make monthly reports, if requested, to the Board and Developer on the progress of construction; approve all pay estimates and change orders and shall submit the same to the Board and Developer for approval; and provide the appropriate level of inspection and observation during the construction of the Facilities to assure construction in substantial compliance with the approved plans, and shall recommend final acceptance of the Facilities to the Board when appropriate. No changes to the plans and specifications or change orders to any construction contracts shall be made without approval by the Board and Developer, which approvals shall not be unreasonably withheld.

Section 3. The Board shall review all bids received for the construction of the Project and shall authorize the award of, or concur with the Developer's award of, the construction contracts in accordance with state laws related to competitive bidding requirements, provided

that Developer authorizes such award. If Developer fails to authorize award of the construction contracts, the District shall reject all bids, and the District and Developer shall jointly determine whether to re-bid the Project or postpone construction. Construction contracts shall include payment and performance bonds and one-year maintenance guarantees after completion, all as required by law for municipal utility districts.

Section 4. Developer shall make, in a timely fashion, all payments on the contracts awarded by the Developer on behalf of the District or by the District for the construction or other acquisition of the Facilities. Such contracts shall provide that the contractor shall look solely to the Developer for payment of all amounts due thereunder. Developer shall, upon making any payment, provide copies of all invoices and certifications recommending payment to the District.

Section 5. The District shall reimburse Developer for the monies funded by Developer for the Facilities (the "Reimbursement Amount") with the proceeds of its Bonds or if applicable, bond anticipation notes, in accordance with the terms of this Agreement. The Reimbursement Amount shall be an amount equal to the maximum amount allowed by law and the TCEQ under its then current rules, including, but not limited to, land, engineering fees, reports, studies and interest on the monies expended by Developer through the date such monies are repaid to Developer. In addition, the District shall repay the Developer, to the maximum extent allowed under the rules of the TCEQ for the District's Operating Costs upon approval of such repayment by the TCEQ. To the extent the TCEQ determines in reviewing the District's bond application (if applicable) that the cost of any portion of the Facilities or any portion of the District's Operating Costs may not be reimbursed or interest paid under the rules of such agency, then the amount of payment or reimbursement shall be appropriately reduced. Developer shall provide the District with such information and documentation as the District may reasonably request to enable it to calculate interest and verify payments. The District's obligation to repay Developer for the Facilities and the District's Operating Costs is subject to the following:

a) Developer shall cause all roads to be constructed within the boundaries of the District which are necessary to serve the taxable improvements to be constructed within Developer's Land and which are part of the drainage system, in accordance with the applicable rules and regulations of any regulatory bodies having jurisdiction over such construction. Developer shall include in any street and road construction contract a provision that places the responsibility on the contractor for repair and clean-up of broken manholes, buried valve boxes, broken sewer pipes, and any and all other damage to District facilities caused by the construction of such streets and roads.

b) Except as provided hereinbelow, and subject to the conditions set forth below, immediately following certification of completion of the Facilities by the Project Engineer, inspection and approval by all regulatory agencies with jurisdiction, and payment by the Developer, as a financing service to the District, of the applicable construction costs of the Facilities, or applicable portions thereof, under the construction contract, the Developer shall convey and sell the Facilities to the District with full warranties, free and clear of all liens, claims, encumbrances, options, charges, assessments, restrictions, limitations and reservations (except for such restrictions,

limitations and reservations which restrict the sites or Facilities for utility purposes), including liens for ad valorem taxes for the current year and payments due to construction contractors, laborers and materialmen (the foregoing collectively herein called “Encumbrances”); provided, however, the District may consent to any conveyance and sale with such Encumbrances which would not unreasonably interfere with the use by the District of the Facilities or the sites. The Developer shall provide proof of title and proof that no Encumbrances exist as may be reasonably required by the District. The Developer shall be required to represent and warrant in the conveyance(s) and bill(s) of sale that (a) it has the full legal right and authority to make the conveyance and sale, (b) it has good and marketable title to the Facilities, (c) it is not subject to any bylaw, agreement, mortgage, lien, lease, instrument, order, judgment, decree or other restriction of any kind or character which would prevent the execution of the conveyance(s) and bill(s) of sale, (d) it is not engaged in or threatened with any legal action or proceeding, nor is it under any investigation, which would prevent the execution of the conveyance(s) and bill(s) of sale, and (e) the person executing the conveyance(s) and bill(s) of sale on behalf of the Developer has full authority to do so without further action of the Developer.

The Developer shall further convey and sell or cause to be conveyed and sold to the District, Galveston County, the City of League City, or other applicable governmental entity all necessary easements, rights-of-way, sites, licenses, franchises and permits required for the District’s ownership, operation and/or maintenance of the Facilities (hereinafter, the “Sites”) in accordance with the rules of the TCEQ, where such Sites have not been dedicated to the public or another governmental agency, together with the necessary rights-of-way thereto, where such Sites are not directly accessible to a dedicated public street. The District shall pay the Developer for such Sites in accordance with the rules of the TCEQ. The District agrees to exercise its right of eminent domain if Developer cannot acquire such property rights from third parties by negotiation.

The Developer shall also assign in writing all of its rights in and under any contractor’s and materialmen’s warranties and guarantees relating to the Facilities.

The District shall be under no obligation to accept conveyance and sale of the Facilities unless:

- (i) the Facilities have been constructed in Sites properly dedicated by recorded plat or other recorded instrument acceptable to the District in accordance with the plans and specifications approved by the District and in a good and workmanlike manner; provided, however, it is understood and agreed that the District reserves the right to assume any construction contract for the Facilities or any portion of the Facilities prior to completion thereof;
- (ii) the District has received sufficient evidence that all construction costs have been paid in full by the Developer, including, without limitation, an

affidavit of bills paid from the construction contractor, and that no Encumbrances exist on or will exist on the Facilities; and

(iii) the TCEQ has approved the terms and conditions of the conveyance and sale, as and if required.

Notwithstanding the foregoing and conveyance and sale of the Facilities by the Developer, the District shall remain obligated to reimburse Developer in accordance with this Agreement, and nothing herein shall be construed as consent by the Developer to conveyance and sale to the District of the Facilities without adequate compensation.

c) Upon the execution of this Agreement, Developer and all holders of a lien on Developer's Land shall enter into an agreement whereby, as to taxes levied by the District, Developer and any subsequent owner of all or any portion of Developer's Land permanently waive the right to claim agricultural, open space, wildlife management, timberland, or inventory valuations for any land, homes, or buildings owned by Developer within the District, unless such exemptions are in effect at the time of TCEQ approval of the Bonds (as defined below) and the tax rate calculations contain such exemptions. Nothing herein shall prevent (a) Developer from maintaining an exemption over Developer's Land for any taxing jurisdiction other than the District, or (b) a residential homeowner from qualifying for any lawfully available exemption from any taxing jurisdiction, including the District.

d) Approval by the TCEQ of the issuance and sale by the District of Bonds for the purchase of, or reimbursement to Developer for, the Facilities and repayment of the District's Operating Costs.

e) Approval of the Bonds by the Attorney General of the State of Texas.

f) Registration of the Bonds by the Comptroller of Public Accounts of the State.

g) The receipt of a bid and awarding of sale of the Bonds by the District, and the receipt of the proceeds from the sale of such Bonds.

Section 6. In the event there is a disagreement between the Developer and the District as to whether an expenditure or advance of money by Developer is owed hereunder or eligible to be reimbursed under state law or the rules of the TCEQ, the District shall include such amount in the bond application and shall provide Developer with the opportunity to submit information and appear before the TCEQ in support of the reimbursement. The District and the Developer shall be bound by the decision of the TCEQ.

Section 7. The District shall use its reasonable best efforts to apply to the TCEQ for approval of the issuance of the Bonds at such time as Developer requests, and upon the District's financial advisor determining that the assessed valuation within Developer's Land is feasible for

the District to issue its Bonds to repay Developer (provided, however, that the District agrees to use the taxable value of other developers' land in the District to support bonds to reimburse the Developer, but only after such other developer(s) has been fully reimbursed for all amounts due under its reimbursement agreement with the District). For purposes hereof, a bond issue will be considered "feasible" if the assessed valuation on Developer's Land (and other land in the District if the developer of such land has been fully reimbursed for all amounts due under its reimbursement agreement with the District), inclusive of all land and taxable improvements constructed or to be constructed thereon would independently support the issuance of bonds to reimburse Developer for the construction of the Facilities in accordance with the economic feasibility rules of the TCEQ (30 T.A.C. 293.59). All taxable valuations shall be determined by the Galveston Appraisal District, as applicable, and applying such valuations to the land and improvements then existing on Developer's Land (and other land in the District if the developer of such land has been fully reimbursed for all amounts due under its reimbursement agreement with the District), and projections of future value, as allowed under the TCEQ rules. Upon request by Developer, the District shall request the Galveston Appraisal District, as applicable, to provide an estimate of such taxable value. The District will notify Developer that the District intends to request an estimate of value in order that the District and the Developer cooperate with respect to the obtaining of the estimate of value and the accuracy of information reflected therein with respect to the estimate of value of Developer's Land. Unless otherwise agreed by Developer, in no event shall the District file its application for the issuance of its Bonds at a date later than twelve (12) months prior to the date Developer projects that the tax rate necessary to retire the District's outstanding indebtedness, including the Bonds, will be feasible. In addition, Developer may request that the Bonds be issued in more than one series.

Section 8. In the event Developer requests the District to issue Bonds to reimburse Developer pursuant to the terms hereof and for any reason the District is unable to issue such Bonds, then, upon Developer's request, the District shall levy its ad valorem operations and maintenance tax to reimburse Developer for monies owed hereunder; provided, however, that the combined annual ad valorem tax levied by the District to make payments on its bonded indebtedness and the operations and maintenance tax levy shall not collectively exceed \$1.50 per \$100 valuation. The District's obligation to levy such operations and maintenance tax shall continue from year to year until all monies have been paid hereunder or until Developer otherwise requests.

Section 9. In the absence of proper documentation of costs of Facilities heretofore constructed, said Facilities shall be appraised under TCEQ rules. The District shall be obligated to reimburse for the cost of said Facilities based on the final amount approved by the TCEQ. The Developer shall pay the cost of the appraisal which shall be reimbursable by the District.

Section 10. This Agreement and the obligations of the Parties hereunder are subject to all rules, regulations and laws which may be applicable by the United States, the State of Texas, or any regulatory agency having jurisdiction, including the applicable rules of the TCEQ. Venue shall lie solely in Galveston County, Texas.

Section 11. This Agreement shall be for the sole and exclusive benefit of the District and Developer and shall not be construed to confer any benefit or right upon any other party.

Section 12. This Agreement shall be subject to change or modification only with the mutual written consent of Developer and the District; provided, however, the term “Developer’s Land” shall automatically be amended to include any land subsequently purchased by Developer within the District or annexed into the District.

Section 13. This Agreement, constitutes the entire Agreement between the Parties relative to the subject matter hereof. There have not been and are no agreements, covenants, representations or warranties between the Parties other than those expressly stated or provided for herein.

Section 14. The Parties agree to use good faith in the performance of their respective duties and obligations under this Agreement such that the intent of the Parties shall be fulfilled. The Parties further agree to take such additional actions, from time to time, as may be necessary to fully carry out the purposes and intent of this Agreement including, but not limited to, the execution of further documentation.

Section 15. In enforcing the performance of the provisions of this Agreement both parties shall have the right to the exercise of all procedures available under the law including, but without limiting the generality thereof, Developer’s right to obtain a writ of mandamus to command performance of any of District obligations, including particularly (i) the District’s obligation to issue its bonds from time to time to reimburse Developer, and (ii) the District’s obligation to levy its ad valorem maintenance tax to reimburse Developer. No waiver of any breach or default of any provision of this Agreement shall be deemed a waiver of any subsequent waiver or default. If any party hereto is the prevailing party in any legal proceedings against the other brought under or with relation to this Agreement, such prevailing party shall additionally be entitled to recover court costs and reasonable attorney’s fees from the non-prevailing party to such proceedings, including any fees paid to the TCEQ to review and claims made pursuant to this Agreement.

Section 16. The District acknowledges that this Agreement is for the providing of goods and services which is subject to the provisions of Chapter 271 of the Texas Local Government Code. In accordance with Sections 271.151, 271.152 and 271.153 of the Texas Local Government Code, to the extent limited, however, by the provisions thereof, the District hereby waives any constitutional, statutory or common law right to sovereign or governmental immunity from liability or suit and expressly consents to be sued and liable to the extent necessary for the Developer to enforce this Agreement, but only as to the Developer and this Agreement.

Section 17. In the event the District should consolidate or otherwise merge with another utility district or another public entity, such merger shall not act in any way impair or diminish Developer’s rights hereunder.

Section 18. Neither Party hereto shall, without the prior written consent of the other Party hereto, assign this Agreement nor any interest herein except that, upon written notice to the District, Developer may assign its rights to funds reimbursed hereunder to any lender providing monies to Developer for development of Developer's Land. Developer shall obtain from such lender and deliver to the District written releases and/or subordination agreements, in a form reasonably satisfactory to the District, evidencing that such lender has not taken a lien on any portion of the Facilities and that in the event such lienholder should foreclose on any portion of Developer's Land, such lienholder shall not have any title to the Facilities and takes title to Developer's Land subject to the terms and conditions of this Agreement.

Section 19. The provisions of this Agreement are severable, and if any word, phrase, clause, sentence, paragraph, section, or other part of this Agreement, or the application thereof to any person or circumstance, shall ever be held by any court of competent jurisdiction to be invalid or unconstitutional for any reason, the remainder of this Agreement and the application of such word, phrase, clause, sentence, paragraph, section, or other part of this Agreement to other persons or circumstances shall be not be affected thereby.

Section 20. Each Party hereto hereby finds, determines and represents that the benefits provided to it and the obligations hereunder are binding upon it constitute due consideration for its execution of this Agreement. In particular, Developer's commitment to advance monies to the District results in certain material benefits being provided to the District and constitute adequate consideration for the District's obligations to issue bonds from time to time, impose an ad valorem operation and maintenance tax, or otherwise reimburse Developer. Developer hereby represents that the District's commitment to reimburse it for monies expended pursuant to this Agreement constitutes adequate consideration for its commitment to perform its obligations hereunder.

Section 21. If a Party is prevented from performing, in whole or in part, its obligations under this Agreement by reason of "force majeure" that could not have been avoided by the exercise of due diligence by such Party, then performance by such Party may be suspended to the limited extent and during the limited period that performance is made impossible by the force majeure; provided, however, such Party must use its best efforts to diligently and continuously pursue a course of action that will eliminate the force majeure and allow such Party to resume full performance at the earliest possible time. As an express condition precedent to suspending performance, however, immediately after the occurrence of any force majeure, the Party whose performance is rendered impossible shall give notice and full details of the force majeure to the other Party. For purposes of this Agreement, "force majeure" means any of the following: floods; earthquakes; acts of God; acts of war; acts of terrorism; acts of public enemies; insurrection; riot; labor strikes; the inability to procure labor or materials in the open market; the interruption of utility services by an entity other than the District; the issuance of a restraining order by any court having jurisdiction; and no other.

Section 22. All notices provided or permitted to be given under this Agreement must be in writing and may be served by depositing same in the United States mail, addressed to the Party to be notified, postage prepaid and registered or certified with return receipt requested; by

delivering the same in person to such Party; or by facsimile copy transmission. Notice given by mail shall be effective upon deposit in the United States mail. Notice given in any other manner shall be effective upon receipt at the address of the addressee. For purposes of notice, the addresses of the Parties shall be as follows:

If to the District: Westwood Management District  
c/o Sanford Kuhl Hagan Kugle Parker Kahn LLP  
Attn: John Kuhl  
1980 Post Oak Boulevard, Suite 1380  
Houston, Texas 77056  
Telephone: (713) 850-9000  
Facsimile: (713) 850-1330

If to Developer: Westwood Development, Inc.  
c/o Travis B. Campbell, Jr.  
P.O. Box 936  
League City, Texas 77573

Either Party hereto may change its address for notice by giving three (3) days prior written notice to the other Party.

Section 23. If any claim is made for reimbursement for all or a portion of the Facilities serving Developer's Land, by a person or entity other than Developer, **DEVELOPER HEREBY BINDS ITSELF, ITS SUCCESSORS, ASSIGNS, AND GRANTEEES, TO INDEMNIFY AND HOLD THE DISTRICT, ITS SUCCESSORS AND ASSIGNS, DISTRICT'S DIRECTORS, AGENTS, CONSULTANTS, ATTORNEYS, ENGINEERS HARMLESS FROM ANY AND ALL CLAIMS OUT OF OR IN ANY WAY CONNECTED WITH THE REIMBURSEMENT TO DEVELOPER FOR THE FACILITIES SERVING DEVELOPER'S LAND.**

Section 24. The parties hereto acknowledge that the District currently is authorized to finance water, sewer and drainage facilities and parks but that the District anticipates obtaining road powers in the future. The parties hereto agree that the term "Facilities" shall include roads only if the District is authorized to provide such powers.

Section 25. In the event that any controversy or uncertainty should arise with respect to rights to any sum due or to become due under this Agreement, the District shall have the right, at its sole and absolute discretion, to institute a bill of interpleader in any court of competent jurisdiction to determine the rights of the parties.

Section 26. This Agreement shall remain in effect for a term of forty (40) years.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date and year first written above.

DISTRICT:

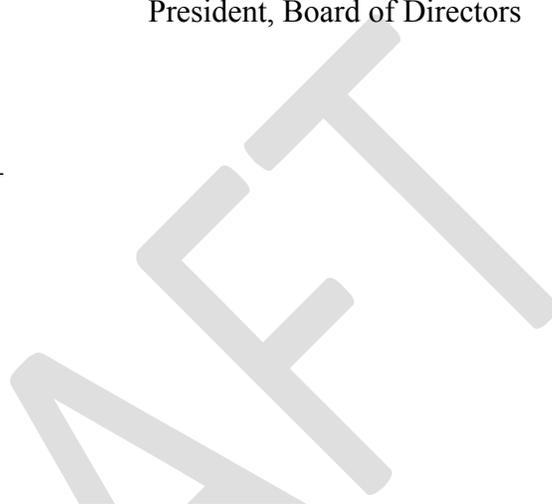
WESTWOOD MANAGEMENT DISTRICT

By: \_\_\_\_\_  
President, Board of Directors

ATTEST:

By: \_\_\_\_\_  
Secretary, Board of Directors

(DISTRICT SEAL)



THE STATE OF TEXAS    §  
                                          §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me, on the \_\_\_\_ day of \_\_\_\_\_, 2013, by \_\_\_\_\_, President of Westwood Management District, on behalf of said municipal management district.

\_\_\_\_\_  
Notary Public in and for the  
State of T E X A S

\_\_\_\_\_  
Name Printed or Typed  
My Commission Expires: \_\_\_\_\_

(SEAL)

DEVELOPER:

WESTWOOD DEVELOPMENT, INC.,  
*a Texas corporation*

By: \_\_\_\_\_  
Name: Travis B. Campbell, Jr.  
Title: President

THE STATE OF TEXAS    §  
                                  §  
COUNTY OF \_\_\_\_\_ §

This instrument was acknowledged before me, on the \_\_\_\_ day of \_\_\_\_\_, 2013, by Travis B. Campbell, Jr., President of Westwood Development, Inc., a Texas corporation, on behalf of said corporation.

\_\_\_\_\_  
Notary Public in and for the  
State of T E X A S

\_\_\_\_\_  
Name Printed or Typed  
My Commission Expires: \_\_\_\_\_

(SEAL)