

**DEVELOPMENT AGREEMENT BY AND BETWEEN THE CITY OF KYLE AND
RRHPI, LP, CONCERNING
A CCN DECERTIFICATION PROCESS**

This Development Agreement by and between the City of Kyle, Texas, a municipal corporation, and RRHPI, LP, a Texas limited partnership ("RRHPI"), concerning the CCN Decertification Process (the "Agreement"), is made pursuant to Section 212.172, Texas Local Government Code, and entered into this 20th day of August, 2014.

RECITALS

WHEREAS, the Texas Commission on Environmental Quality ("TCEQ") signed that certain Order of Decertification on November 30, 2012, releasing 107.247 acres of land (the "Decertified Property") owned by RRHPI, LP, from the Service Area of Monarch Utilities I, LP ("Monarch") Certificate of Convenience and Necessity ("CCN") No. 12983; and,

WHEREAS, Section 13.254 (e), Texas Water Code, provides that the utility that will provide service to a decertified property must notify the TCEQ of its intention to serve, prior to provision of service; and,

WHEREAS, the City of Kyle ("City") is now ready to begin providing service to the Decertified Property in the place of Monarch ("Monarch" or the "Decertified Provider"); and,

WHEREAS, Section 13.254, Texas Water Code, requires a retail public utility seeking to serve a Decertified Area (the "City" or "Alternate Provider") to bear certain costs, including costs (1) the expense of the Alternate Provider engaging its own appraiser in to evaluate the value of any investments made by the Decertified Provider to serve the Decertified Area, and (2) if necessary, half the cost of a third party appraiser appointed by the TCEQ; and,

WHEREAS, it is the Parties' intent that RRHPI shall reimburse the City for the costs described above as a part of the cost of development of the Decertified Property , specifically the extension of water service to the Decertified Property; and

WHEREAS, the parties desire to comply with the provisions of Chapter 13, Texas Water Code, and specifically Section 13.254 in the transfer of retail water service to the Decertified Property from the Decertified Provider to the Alternate Provider;

NOW THEREFORE, for and in consideration of the mutual promises, covenants, obligations and benefits described in this Agreement, and other good and valuable

consideration, the sufficiency of which is acknowledged by both parties, the City and RRHPI agree as follows:

1. The City agrees to place on its city council meeting agenda at a time agreed to by the Parties, notice to the public that the City will provide retail water service to the Decertified Property and to submit the required notification to the TCEQ and to take action on this Agreement.

2. The City agrees to place on its city council agenda at a time agreed to by the Parties, notice to the public that the City will issue a Request for Proposals to professional entities who are knowledgeable and qualified to provide an appraisal of the value of Monarch's retail water utility system designed to serve the Decertified Property, if any.

3. RRHPI agrees to pay to the City any costs and expenses prescribed by the TCEQ or by Section 13.254, Texas Water Code, to be borne by the City in connection with the CCN decertification process described herein, including costs (1) incurred by the City for an appraiser and, if necessary, (2) one-half the cost of a third-party appraiser appointed by the TCEQ. Upon approval by the city council the City will agree upon an appraiser mutually agreed upon by the City and RRHPI.

4. RRHPI agrees to pay to the City the amount, if any, prescribed by the TCEQ as compensation to Monarch for the Decertified Property pursuant to Section 13.254, Texas Water Code.

5. RRHPI agrees to pay the amounts charged by its counsel, and the City agrees to pay the amounts charged by its counsel, if any, for legal work in connection with the subject of this Agreement, except the City will not be liable for any amounts charged by legal counsel for RRHPI even if RRHPI's legal counsel performs work that benefits the City.

6. RRHPI agrees to pay the amounts referenced in this Agreement within 30 business days of receipt of an invoice from the City. If RRHPI questions any part of any invoice it may pay the entire invoiced amount to the City to be held in escrow until the questions or objections have been resolved among the Parties and the entity presenting such invoice to the City. If the Parties cannot agree on the accuracy or appropriateness of any invoice, the Parties may pursue mediation, with each party bearing its share of the costs of such alternative dispute resolution.

7. Notices in connection with this Agreement shall be sent to the Parties as stated below:

The City of Kyle
Attention: Mr. Lanny Lambert, City Manager
100 W. Center Street
Kyle, Texas 78640

RRHPI, LP
Attention: Richard Hill
Hill Partners, Inc.
3600 N. Capital of Texas Highway
Building B, Suite 250
Austin Texas 78746

With copies to:

Jody Richardson
Allen Boone Humphries Robinson, LP
1108 Lavaca Street
Suite 510
Austin Texas 78701

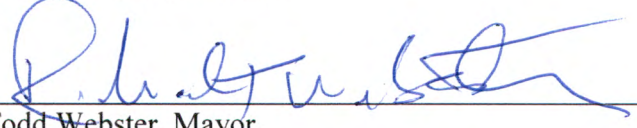
8. This Agreement sets forth the entire understanding of the Parties with respect to the subject matter hereof.

9. This Agreement may be executed in any number of counterparts, including, without limitation, facsimile counterparts, with the same effect as if the parties had signed the same document, and all counterparts will constitute one and the same agreement.

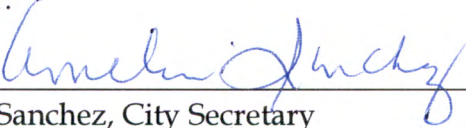
IN WITNESS WHEREOF, this instrument is EXECUTED and AGREED UPON as of the last date a party signs, becoming the Effective Date.

SIGNATURE PAGES FOLLOW

THE CITY OF KYLE, TEXAS

By: 
Todd Webster, Mayor

SIGNED this 22nd day of August, 2014.

ATTEST:

Amelia Sanchez, City Secretary

RRHPI, LP, A TEXAS LIMITED PARTNERSHIP

By: _____
Title: _____

SIGNED this ____ day of _____, 2014

THE STATE OF TEXAS §
 §
COUNTY OF TRAVIS §

This document was acknowledged before me on the ____ day of _____, 2014, by Richard Hill, _____ of RRHPI, LP, a Texas limited partnership on behalf of said limited partnership.

Notary Public State of Texas

(Seal)