

STATE OF TEXAS

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COST REIMBURSEMENT AGREEMENT

COUNTY OF WILLIAMSON

THIS COST REIMBURSEMENT AGREEMENT ("Agreement") is made and entered into by and between Williamson County, Texas (the "County"), and Oaks at San Gabriel, LLC, a Texas limited liability company ("Oaks").

I. RECITALS

1.01. Oaks has acquired for development certain tracts comprised of approximately 397.84 acres located adjacent to the north of State Highway 29, approximately six (6) miles west of Interstate Highway 35 in Williamson County, Texas, on which Oaks is constructing The Oaks at San Gabriel subdivision (the "Project").

1.02. Oaks and the County have agreed that, though not a legal obligation of Oaks, it is beneficial to both the County and the Project to install a deceleration lane on the westbound side of State Highway 29 at the entrance to the Project via Vista Heights Drive (the "Offsite Transportation Improvements").

1.03. Oaks and the County have agreed that Oaks will construct the Offsite Transportation Improvements, further described in Section 2.01 of this Agreement, with the initial phase of the Project, at its sole expense, and the County will reimburse Oaks in the amount of Twenty Five Thousand Dollars (\$25,000) (the "Reimbursement Amount").

NOW THEREFORE, in consideration of these premises, the mutual covenants of each party, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged, the County and Oaks agree as follows:

II. OFFSITE TRANSPORTATION IMPROVEMENTS

2.01. Description of the Offsite Transportation Improvements. The Offsite Transportation Improvements to be constructed shall consist of one (1) deceleration lane on the westbound side of State Highway 29, within the state highway right-of-way, approximately two-hundred forty feet (240') long, eleven feet (11') wide with a four foot wide (4') shoulder and constructed of four inches (4") of Hot Mix Asphaltic Concrete on top of sixteen inches (16") of Compacted Limestone Base Material, and further described in the plans and specifications (the "Plans and Specifications") attached hereto as **EXHIBIT A**.

2.02. Oaks To Act As Project Manager for Construction. Oaks will serve as Project Manager for the construction of the Offsite Transportation Improvements. The County acknowledges that Oaks has retained Gray Engineering, Inc., a qualified third party to assist in the execution of its duties as Project Manager, for construction of the Offsite Transportation Improvements, but Oaks shall be and remain responsible under this Agreement for the performance of same as between Oaks and the County.

2.03. Oaks Design of the Offsite Transportation Improvements. As of the Effective Date of this Agreement, Oaks has caused to be prepared the Plans and Specifications for the Offsite

Transportation Improvements in conformance with all applicable Williamson County, City of Georgetown and Texas Department of Transportation design criteria and construction standards. Oaks has provided the Plans and Specifications to the County, the City of Georgetown and the Texas Department of Transportation for review and all governmental authorities have approved the Plans and Specifications. Oaks is to construct the Offsite Transportation Improvements as shown on the approved Plans and Specifications.

III. FUNDING AND REIMBURSEMENT

3.01. Oaks' Agreement to Fund Construction of Offsite Transportation Improvements. Subject to reimbursement in accordance with the terms and conditions of this Agreement, Oaks agrees to fund and timely pay all costs related to the construction of the Offsite Transportation Improvements.

3.02. County's Agreement to Reimburse Oaks for the Reimbursement Amount. Subject to completion of the Offsite Transportation Improvements by Oaks as shown on the approved Plans and Specifications, the County agrees to reimburse Oaks in the amount of Twenty Five Thousand Dollars (\$25,000).

3.03. Payment of Reimbursement Amount. The County and Oaks agree that the Reimbursement Amount shall be paid by the County to Oaks in one (1) lump sum payment due on the 15th day of the first (1st) month following the month in which the County issues its final acceptance of the Offsite Transportation Improvements, which shall not be unreasonably withheld or delayed.

IV. OWNERSHIP OF FACILITIES

4.01. State or County to Own, Operate and Maintain Offsite Transportation Improvements. From and after the expiration of the one (1) year warranty period for the Offsite Transportation Improvements, the State of Texas (by and through the Texas Department of Transportation) or the County shall own, operate, and maintain the Offsite Transportation Improvements as part of the State or County's transportation system or as part of the State Highway System and roads maintained by the Texas Department of Transportation and the State or County shall be responsible for all costs associated with same.

4.02. No Liens Permitted. Oaks shall make timely payment to its engineers, contractors and materialmen for all aspects of the work and for all materials and services relating to the Offsite Transportation Improvements. Oaks shall not cause, suffer, or permit the filing, perfection, or execution of any lien or other encumbrance against the Offsite Transportation Improvements or any portion thereof.

Nothing in this Section prohibits Oaks from withholding payment for any work that Oaks, as Project Manager, deems defective or unacceptable. In that event, Oaks shall have the right to withhold payment even if, in the exercise of that right, a lien or other encumbrance is perfected against the Offsite Transportation Improvements. However, if any lien or other encumbrance is filed against the Offsite Transportation Improvements, or any part of it, due to work performed or materials furnished by or at the request of Oaks, Oaks shall cause the same to be fully and promptly discharged and released of record by payment, deposit, bond, or order of a court of

competent jurisdiction or otherwise. Oaks shall secure the release of the lien or other encumbrance within thirty (30) days after the filing or perfection thereof, unless the parties mutually agree in writing to additional time.

VI. GENERAL PROVISIONS

6.01. Interpretation. Except where the context otherwise clearly requires, in this Agreement:

- (a) words imparting the singular will include the plural and vice versa;
- (b) all exhibits attached to this Agreement are incorporated by reference for all purposes as if fully copied and set forth at length; and
- (c) references to any document mean that document as amended or as supplemented from time to time; and references to any party mean that party, its successors, and assigns.

6.02. Notice of Default; Opportunity to Cure; Termination for Failure to Cure Default. Should either party allege that the other has defaulted in the performance of any obligation, the non-defaulting party shall provide at least thirty (30) days written notice to the other party specifying the nature of the alleged default and provide the other party a reasonable opportunity to cure the default before exercising any legal or equitable remedy related to the alleged default. If the default is not cured within the reasonable period specified to cure the default, the non-defaulting party may terminate this Agreement, on written notice to the defaulting party and pursue such legal remedies as are available to the non-defaulting party, whether at law or in equity.

6.03. Entire Agreement. This Agreement, including any attached exhibits, constitutes the entire agreement between the parties and supersedes all prior or contemporaneous understandings or representations, whether oral or written, respecting the subject matter of this Agreement.

6.04. Amendment. No amendment of this Agreement shall be effective until the amendment has been reduced to writing, each party has duly approved it, and is signed by the authorized representatives of the parties. Any amendment shall incorporate this Agreement in every particular not otherwise changed by the amendment.

6.05. No Amendment of Other Agreements. Unless otherwise expressly stipulated, this Agreement is separate from and shall not constitute an amendment or modification of any other agreement between the parties.

6.06. Other Instruments, Actions. The parties agree that they shall take such further actions and execute and deliver any other consents, authorizations, instruments, or documents that are necessary or incidental to achieve the purposes of this Agreement.

6.07. No Third Party Beneficiaries. Except as expressly provided in this Agreement, nothing shall be construed to confer upon any person other than the parties any rights, benefits or remedies under or because of this Agreement.

6.08. No Joint Venture, Partnership, Agency. This Agreement shall not be construed in any form or manner to establish a partnership, joint venture or agency, express or implied, by and among the parties.

6.09. Applicable Law. This Agreement shall be construed under and according to the laws of the State of Texas.

6.10. Severability. The provisions of this Agreement are severable. If any court of competent jurisdiction holds any word, phrase, clause, sentence, paragraph, section, or other part of this Agreement or the application of it to any person or circumstance to be invalid or unconstitutional for any reason, it shall not affect the remainder of this Agreement and, in such event, this Agreement shall be construed as if it had never contained such invalid or unconstitutional portion in it.

6.11. Force Majeure. If, by reasons of Force Majeure, any party is rendered wholly or partially unable to carry out its obligations under this Agreement after its effective date, then such party shall give written notice of the particulars of such Force Majeure to the other party or parties within a reasonable time after the occurrence of it. They shall suspend the obligations of the party giving such notice, to the extent affected by such Force Majeure, during the continuance of the inability claimed and for no longer period, and any such party shall in good faith exercise its best efforts to remove and overcome such inability.

The term "Force Majeure" as utilized in this Agreement shall mean and refer to acts of God; strikes, lockouts or other industrial disturbances; acts of terrorism or other public enemies; orders of any kind of the government of the United States, the State of Texas, or any other civil or military authority; insurrections; riots; epidemics; landslides; earthquakes; lightning; fires; hurricanes; storms; floods; washouts; other natural disasters; arrests; restraint of government and people; civil disturbances; explosions; breakage or accidents to machinery, pipelines or canals; or other causes not reasonably within the control of the party claiming such inability.

6.12. Venue. Venue for any suit arising under this Agreement shall be in Williamson County, Texas.

6.13. Duplicate Originals. The parties may execute this Agreement in one or more duplicate originals, each of equal dignity.

6.14. Notices. When notices or other communications are required to be given under this Agreement, the parties shall give written notice to the address of the party to be noticed by either:

- (a) delivering it in person;
- (b) depositing it in the United States Mail, first class mail, postage prepaid;
- (c) depositing it with a nationally recognized courier service; or
- (d) by sending it by email with confirming copy sent by mail. For the purposes of notice, the addresses of the parties will, until changed as provided below, be as follows:

OAKS:

Oaks at San Gabriel, LLC
c/o Harris, Nicol & Straub, LLC
2929 West 5th Street, Suite A
Fort Worth, Texas 76107
Attn: Lee Nicol
Tel. (817) 332-0028
lnicol@hbhnllc.com

With copies to:

Oaks at San Gabriel, LLC
c/o Harris, Nicol & Straub, LLC
4408 Spicewood Springs Road
Austin, Texas 78759
Attn: Joseph Straub
Tel. (512) 231-1555
jwstraub@hnsdevelopers.com

Oaks at San Gabriel, LLC
c/o Hearthstone, Inc.
Attn: Todd Rosa, VP & Investment Manager
24151 Ventura Blvd.
Calabasas, California 91302
Tel. (858) 436-1287
trosa@hearthstone.com

Oaks at San Gabriel, LLC
c/o Hearthstone, Inc.
Attn: Steven Porath, VP & General Counsel
24151 Ventura Boulevard
Calabasas, California 91302
Tel. (818) 385-3697
sporath@hearthstone.com

Armbrust & Brown, PLLC
100 Congress Ave, Suite 1300
Austin, Texas 78701
Attn: Kevin M. Flahive
Tel. (512) 435-2333
kflahive@abaustin.com

COUNTY:

Williamson County Engineer's Office
3151 SE Inner Loop, Suite B
Georgetown, Texas 78626
Attn: County Engineer
Tel. (512) 943-3336
jengland@wilco.org

With a copy to:

Williamson County Attorney's Office
405 M.L.K., Suite 240
Georgetown, Texas 78626
Attn: Henry Prejean
Tel. (512) 943-1111
hprejean@wilco.org

The parties notify each other of any changes to their respective addresses. If any date or notice period described in this Agreement ends on a Saturday, Sunday, or legal holiday, the parties will

extend the applicable period for calculating the notice to the first business day following such Saturday, Sunday, or legal holiday.

6.15. Expiration of Agreement. Unless sooner terminated under the provisions of this Agreement, this Agreement shall expire of its own terms and without further notice at 12:00 o'clock a.m. on the next business day following the fifth (5th) anniversary of the Effective Date of this Agreement if actual construction of the Offsite Transportation Improvements has not commenced.

6.16. Effective Date. This Agreement shall be effective upon due execution by all parties.

[Signature Page to Follow]

APPROVED AS TO FORM:

WILLIAMSON COUNTY, TEXAS

County Attorney

By: _____
Joe M. England, P.E.
County Engineer


Date: _____

APPROVED AS TO FORM:

OAKS AT SAN GABRIEL, LLC,
a Texas limited liability company

Attorney for Oaks

By: Hearthstone, Inc.,
a California corporation,
d/b/a in Texas as Hearthstone Advisors, Inc.,
its Manager

By:  _____
Steven C. Porath
VP – General Counsel

Date: 7.29.2014

EXHIBIT A Plans and Specifications

