**WASTEWATER SERVICE AGREEMENT**
**(Sanctuary Mixed Use Master Planned Community)**

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| **THE STATE OF TEXAS** | § |
| | § |
| **COUNTY OF BELL** | § |

This Wastewater Service Agreement ("*Agreement*") is entered into as of the Effective Date, by and among the **Village of Salado**, a Texas general law municipality ("*Village*") and **Sanctuary Development Company, LLC**, a Texas limited liability company ("*Developer*"). Village and Developer are sometimes referred to individually as a "*Party*" and collectively as the "*Parties*" in this Agreement.

Recitals

A. WHEREAS, Developer intends to acquire ownership of and develop certain tracts of real property in Bell County encompassing approximately 297 acres being more particularly described on **Exhibit "A"** attached hereto that it desires to develop for residential, commercial and other mixed use purposes (the "*Property*");

B. WHEREAS, Developer and Village desire that Village provide retail wastewater service to future customers within the Property;

C. WHEREAS, Developer and Village desire to enter into this Agreement in order to set forth their respective responsibilities for funding and constructing improvements to the Village's wastewater collection, pumping, treatment and disposal system, and the terms and conditions pursuant to which Village shall provide retail wastewater services to future customers within the Property;

D. WHEREAS, Developer and Village acknowledge that this Agreement is predicated on the simultaneous execution of agreements relating to the following: (i) for donation of land within the Property to Village for a wastewater treatment plant site; (ii) transfer of an existing Water Quality Permit to Village for municipal wastewater treatment purposes; (iii) development of the Property; and (iv) Chapter 380 economic development incentives.

NOW, THEREFORE, in consideration of the mutual covenants and agreements hereafter set forth, the receipt and sufficiency of which are hereby acknowledged, Village and Developer hereby agree as follows:

## I.
## DEFINITIONS

When used in this Agreement, the following terms will have the meanings set forth below:

**1.1** "Agreement" means this Wastewater Service Agreement.

**1.2** "Completion Date" shall have the meaning set forth in Section 5.1 of this Agreement.

**1.3** "Developer" means Sanctuary Development Company, LLC, any entity owned or controlled by it, or its authorized successors and assigns.

**1.4** "Effective Date" means the last day of execution of this Agreement by all parties hereto.

**1.5** "Internal Facilities" means the internal wastewater subdivision infrastructure to be constructed by the Developer and dedicated to Village for providing retail wastewater service to customers within the Property. The Internal Facilities shall include all facilities and equipment required to connect the Internal Facilities to the Village System.

**1.6** "Lift Station No. 2" means the wastewater lift station to be constructed by the Village as part of the Village Wastewater Improvements as generally depicted on **Exhibit "B"** attached hereto.

**1.7** "Permit" means Water Quality Permit No. WQ0014898001.

**1.8** "Property" means the tracts of real property encompassing approximately 297 acres of land located in Bell County and being more particularly described on **Exhibit "A"** attached hereto.

**1.9** "Related Agreements" means the agreements between: 1) Developer and Village; 2) Village and Hanks-Cabiness Trust, BHHC Christian Development, LLC, BHHC Christian Development I, LLC, BHHC Christian Development II, LLC, BHHC Christian Development III, LLC, Heidi Hanks Waters, Heather Hanks McGready, Old World BBD, Inc., and Sanctuary Salado Investment II, LLC; and 3) Village, Billie Hanks Jr., and Salado Utility Company Inc. consisting of the following: (i) a Development Agreement setting forth the terms and conditions for development of the Property and providing for annexation of the Property into the corporate boundaries of the Village; (ii) a "Donation Agreement" pursuant to which Billie Hanks Jr. will dedicate lands for the Wastewater Treatment Plant to Village and Sanctuary Utility Company Inc. will cause the existing Permit to be transferred to Village; (iii) a Tourism and Marketing Agreement providing for the use and allocation of hotel occupancy tax collections generated within the Property ; (iv) a Temporary Access Easement Agreement; and (v) a Chapter 380 Economic Development Agreement providing for certain economic grants by Village to Developer.

**1.10** "Reuse Facilities" means any treated wastewater effluent lines and related appurtenances constructed by Developer to transport treated wastewater effluent from the Wastewater Treatment Plant for beneficial reuse within the Property pursuant to authorization granted by TCEQ under 30 Texas Administrative Code Chapter 210.

**1.11** "Royal Street Wastewater Line Improvements" means those wastewater force main and gravity main improvements to be constructed by the Village as part of the Village Wastewater Improvements and identified as Royal Street Wastewater Lines A, B, C, and D, and the Royal Street Manhole, as depicted on **Exhibit "B"** attached hereto.

**1.12** "Service Availability Date" means the date by which Village agrees to make retail wastewater service available to customers within the Property, as specified in Section 2.1(b) of this Agreement.

**1.13** "Service Commitment" means the quantity of wastewater service required for development and buildout of the Property in accordance with the Concept Plan that is included in the Development Agreement.

**1.14** "Subdivision Plat" means a final recorded subdivision plat having two or more lots or sites intended for the construction of a house, commercial building or ancillary structure, as defined in the Village Subdivision Ordinance 2009.03.

**1.15** "TCEQ" means the Texas Commission on Environmental Quality or any successor agency.

**1.16** "Village Outfall Line" means the wastewater outfall line to be constructed as part of the Village Wastewater Improvements for purposes of transporting treated wastewater from the Wastewater Treatment Plant to the outfall location identified in the Permit.

**1.17** "Village System" means the wastewater system to be constructed by Village to serve the Village's service territory, and any expansions, improvements, enlargements, additions and replacements thereto, including the Village Wastewater Improvements and the Internal Facilities upon completion of construction by Developer, subject to the terms of this Agreement.

**1.18** "Village Wastewater Improvements" means the Wastewater Treatment Plant, the Village Outfall Line, the Royal Street Wastewater Line Improvements, Lift Station No. 2, and all other facilities, equipment and appurtenances required for Village to meet its service obligations under this Agreement (excluding the Internal Facilities).

**1.19** "Wastewater Treatment Plant" means the wastewater treatment plant to be constructed by the Village as part of the Village Wastewater Improvements at the location more particularly described on **Exhibit "B"** attached hereto.

## II.
## PROVISION OF RETAIL WASTEWATER SERVICE

**2.1 Service Commitment.**

(a) In accordance with and subject to the terms and conditions of this Agreement, Village agrees to provide retail wastewater services to customers within the Property as necessary to meet the demands for service as buildout progresses within the Property, in a quantity up to but not in excess of the Service Commitment. Village's obligation to serve the Property is expressly contingent on Developer's compliance with its obligations under this Agreement.

(b) Subject to the terms and conditions of this Agreement, Village shall make service available within the Property within two years (730 days) from the date of execution of this Agreement and the Related Agreements (the "*Service Availability Date*"). In the event Developer requests in writing that the Village amend the Permit prior to the Service Availability Date in order to change the permitted outfall location in accordance with Section 4.6 below, then the Service Availability Date shall automatically be extended to two years (730 days) from the date of TCEQ approval of the amendment application. In the event Village fails to complete the Village Wastewater Improvements by the Service Availability Date or otherwise have wastewater service available from the Village System by such date, then Village shall provide "pump and haul" service to customers within the Property, at no cost or expense to Developer or customers (other than standard monthly rates for sewer service), as necessary to meet the demands for service within the Property until such time as service is available from the Village System.

(c) In the event that retail wastewater service is requested but not available to customers or prospective customers within the Property at any time after the Service Availability Date, then Village agrees to provide "pump and haul" wastewater service to such customers or prospective customers for service in a quantity not to exceed the Service Commitment.

(d) Village shall have no obligation to provide wastewater service to any portion of the Property until all of the following conditions precedent have been satisfied:

(i) the lands to be furnished service have been annexed into the corporate limits of the Village in accordance with the Related Agreement;

(ii) the lands to be furnished service have been final platted by Village;

(iii) the Internal Facilities required to provide service to that phase of development within the Property have been completed, are operational, have been accepted by Village in accordance with the terms of this Agreement;

(iv) all necessary easements and other real property interests have been dedicated to Village in accordance with the terms of this Agreement. Without limitation, it a condition of service to the Property that the Village receive an easement providing the Village with ingress to and from the Wastewater Treatment Plant site through the Property, and providing the Village with non-exclusive easement rights for excavating, laying, constructing, placing, operating, maintaining, reconstructing, replacing, rebuilding, upgrading, renewing, removing, inspecting, patrolling, changing, modifying, or repairing wastewater lines and related appurtenances, and making connections therewith, for purposes of connecting the Royal Street Wastewater Line Improvements to the Wastewater Treatment Plant;

(v) all required fees and charges have been paid to Village by the applicants for service within the Property; and

(vi) the Developer remains in material compliance with this Agreement and under the Related Agreements the parties intend to enter into at a later date.

(e) The Parties acknowledge and agree that Village's obligation to provide retail wastewater service to the Property is subject to the prior receipt of ownership by Village of the Wastewater Treatment Plant site, transfer of the Permit to Village, and annexation of the Property in accordance with the Related Agreements, which are to be executed simultaneously herewith.

(f) Village's obligation to provide wastewater service to any lands within the Property under this Agreement is subject to acquisition of ownership of such lands by Developer. In the alternative, Developer may assign its rights and interests under this Agreement to any owner of lands in the Property in accordance with the assignment provisions of this Agreement.

**2.2 Service.** Village shall provide retail wastewater services to customers in the Property in accordance with its standard rules and policies that apply to all customers of the Village, and the applicable laws and regulations of the State of Texas.

**2.3 Operations**. The Parties acknowledge that Village will be responsible for operating and maintaining the Village System in good working order; for making all needed replacements, additions and improvements as required for the operation of the Village System; for billing and collecting from all customers; and for performing all other usual and customary services and administrative functions associated with public wastewater utility systems.

**2.4 Source of Wastewater Services**. The Village may meet its service obligations under this Agreement from any source of wastewater treatment and disposal services available to it. Without limitation, Village may contract for wholesale wastewater service in its sole discretion.

**2.5 Service to Other Customers**. Village may extend, expand, maintain, repair, improve, upgrade, or otherwise modify all or any portion of the Village System to provide wastewater service to customers located outside the Property, so long as such use does not impair, delay, or adversely affect Village's ability to timely provide wastewater service to customers within its service territory, including the Property, in accordance with this Agreement.

## III.
## RATES, FEES, CHARGES, AND OTHER PAYMENT OBLIGATIONS

**3.1 Rates**. All retail wastewater customers within the Property will pay Village's reasonable rates for retail wastewater service, as established and amended by the Board of Alderman of the Village from time to time, which rates shall be identical to the rates charged to other customers of the same customer class located within the corporate boundaries of the Village.

**3.2 Impact Fees and Charges.** At the time of issuance of a building permit or, if no building permit is required, then at the date an application to Village for a wastewater service connection is made, each applicant for retail service within the Property shall be required to pay the standard fees, charges and deposits for wastewater service set forth in Village's ordinances for in-City customers, including any tap fees and/or impact fees adopted by Village in accordance with Chapter 395 of the Texas Local Government Code.

**3.3 Capital Costs.** Except with respect to funding construction of the Internal Facilities, neither Developer nor any applicant for service within the Property shall have an obligation to fund any capital costs associated with the construction or expansion of the Village System except through payment of impact fees and standard retail rates and fees.

## IV.
## VILLAGE WASTEWATER IMPROVEMENTS

**4.1 Design of Village Wastewater Improvements.** The Village shall retain a qualified engineer, at Village's sole cost and expense, plans and specifications for the Village Wastewater Improvements, in accordance with the Texas Government Code requirements for qualification and contracting for professional services.

**4.2 Facilities to be Constructed by Village.** Subject to Developer's compliance with the terms and conditions of this Agreement, Village will construct, or cause to be constructed, the Village Wastewater Improvements at Village's sole cost and expense.

**4.3 Construction Contract Matters.** The Village Wastewater Improvements will be constructed by, and all sites, easements, equipment, materials and supplies will be acquired in the name of, Village.

**4.4 Costs of Village Wastewater Improvements.** Village shall be solely responsible for all payments to contractors for the design and construction of the Village Wastewater Improvements, and Developer shall have no responsibility for any costs or expenses associated therewith.

**4.5 Ownership, Operation and Maintenance Responsibility.** Village will be responsible for ownership, operation and maintenance of the Village Wastewater Improvements.

**4.6 Permit Matters.** Upon transfer of the Permit to Village in accordance with the terms and conditions of the Donation Agreement, Village shall be solely responsible for maintaining the Permit in full force and effect, and for any amendments thereto, at its sole cost and expense. Notwithstanding the foregoing, in the event the Developer requests the Village to change the permitted outfall location, then the Developer shall be responsible for all costs and expenses associated with the preparation of the application for amendment of the Permit, filing and prosecution of said application, and the costs of construction associated with relocation of the outfall location.

**4.7 Wastewater Treatment Plant Matters.**

(a) At its sole cost and expense to the extent permitted by law, Village may expand the Wastewater Treatment Plant from time to time.

(b) All surface improvements and equipment installed or located at the Wastewater Treatment Plant site by or on behalf of Village shall be located not less than 150 feet from the perimeter boundary of the Wastewater Treatment Plant site (excluding an access road).

(c) All expansions of the Wastewater Treatment Plant shall be timely undertaken by Village not later than required under TCEQ's "75/90 rule" set forth in 30 Texas Administrative Code §305.126, as may be amended from time to time.

(d) In the event the Village expands the Wastewater Treatment Plant capacity beyond 600,000 gallons per day, then Village shall undertake and complete all of the following improvements simultaneously with such expansion: (i) landscaping, walls and/or other screening shall be undertaken by the Village to ensure that no Wastewater Treatment Plant facilities are visible from any adjacent lands located within the Property; (ii) all blowers located at the Wastewater Treatment Plant site shall be located within effective sound baffling structures; and (iii) the Wastewater Treatment Plant shall be retrofitted with a charcoal filter vented headworks or comparable odor mitigation technology.

**4.8 Wastewater Effluent Matters.**

(a) Developer (and its successors and assigns) shall have the right to receive upon request and for a term extending from the Effective Date until fifteen (15) years from the date of recordation of the last Subdivision Plat for the Property, treated wastewater effluent for beneficial reuse within the Property in an amount equal to the quantity of wastewater generated within the Property but not to exceed 200,000 gpd of treated wastewater effluent. The Parties agree that the treated wastewater effluent shall be made available during this period at no cost to Developer as an economic grant in accordance with Chapter 380 of the Texas Local Government Code. The Village specifically agrees, finds and declares that the provision of treated wastewater effluent for beneficial reuse within the Property under the terms set forth herein provides a public benefit including, without limitation, by promoting economic development, water conservation, and protecting the purity of surface water. All remaining treated wastewater effluent shall be discharged at the permitted location at Smith Branch Creek in accordance with the Permit. Village specifically agrees that subject to receipt of any required approvals from TCEQ, Developer may beneficially reuse treated wastewater effluent for cooling water, amenity ponds and irrigation of landscaping or grasses within the Property.

(b) Developer shall be responsible for design and construction of the Reuse Facilities, including all costs and expenses related thereto. Except as otherwise agreed by the Parties, the Reuse Facilities shall not be conveyed to Village, and Developer (or its successors and assigns) shall be responsible for ownership, operation and maintenance of the Reuse Facilities. The Reuse Facilities shall be designed and constructed in accordance with any applicable TCEQ standards.

(c) The Developer shall prepare, file and prosecute at its cost an application under Chapter 210, Title 30, Texas Administrative Code, to beneficially reuse treated wastewater effluent from the Wastewater Treatment Plant within the Property. Village agrees to fully cooperate with respect to the preparation, filing and prosecution of such application, and specifically agrees to execute any applications as may be required under TCEQ rules.

## V.
## INTERNAL FACILITIES

**5.1 Internal Facilities.** Developer will construct or cause the construction of all Internal Facilities required for the provision of retail wastewater services to the customers within the Property from the Village System, including all facilities and equipment required to connect the Internal Facilities to the Village System and in accordance with TCEQ regulations. Upon completion of construction of each phase of the Internal Facilities, Developer will provide or cause to be provided to Village a certificate of completion from Developer's engineers certifying that the Internal Facilities have been completed substantially in accordance with the approved plans and specifications. The date upon which the certificate of completion is provided to Village for a phase of Developer's construction shall be the phase "*Completion Date*." Except as otherwise agreed by the Parties, the Internal Facilities for each phase of Developer's construction (which do not include the Reuse Facilities) will be conveyed to the Village for said completed phase by dedication on the Subdivision Plat.

**5.2 Design of the Internal Facilities.** All physical facilities to be constructed or acquired as a part of the Internal Facilities will be designed by a registered professional engineer selected by Developer. The wastewater facilities that constitute Internal Facilities shall be designed in accordance with TCEQ specifications and design criteria. The design will be subject to the approval any governmental agencies with jurisdiction, including without limitation, TCEQ to the extent applicable. The Village shall furnish any comments and required revisions to the plans and specifications within fifteen (15) business days of each submission. Otherwise, the submission shall be deemed approved. The Village shall not impose any requirements as a condition of approval that exceed TCEQ criteria without Developer's written consent. If the Internal Facilities as constructed by Developer are not in compliance with the agreed specifications approved by Village, then Village may require correction.

**5.3 Bidding and Construction of Facilities.**

(a) All construction contracts and other agreements pertaining to the Internal Facilities will contain provisions to the effect that any contractor, materialman or other party thereto will look solely to Developer for payment of all sums coming due thereunder and that Village will have no obligation whatsoever to any such party.

(b) Developer shall competitively bid the construction of the Internal Facilities in accordance with all laws applicable to the construction of public infrastructure, and as may be specified in the Related Agreements as a condition of public funding of infrastructure costs.

(c) The construction contract and all change orders for the Internal Facilities will be subject to review by Village. All construction contracts and change orders will be prepared in compliance with any applicable rules and regulations of the TCEQ and any other governmental entity with jurisdiction. Developer will provide or cause to be provided to Village a certificate of completion from Developer's engineers certifying that all construction has been completed substantially in accordance with the approved plans and specifications.

(d) The construction contracts for the Internal Facilities, including the bid tabulation and recommended award, will be submitted to Village for review prior to execution. The Village shall furnish any comments within fifteen (15) business days of the submission. Developer will provide or cause to be provided to Village a certificate from Developer's engineers certifying that all construction contracts for Internal Facilities have been awarded in accordance with all applicable competitive bidding requirements.

(e) The Internal Facilities will be constructed in a good and workmanlike manner and all material used in such construction will be substantially free from defects and fit for their intended purpose. Village may have an on-site inspector to inspect the construction at its sole cost and expense. Village will notify Developer of any construction defects coming to its attention as soon as practicable.

(f) Upon completion of construction of each phase of the Internal Facilities, Developer agrees to furnish Village with copies of the as-built or record drawings of each facility promptly upon completion thereof.

**5.4 Cost of Internal Facilities.** Developer will promptly pay or cause to be paid the costs of the Internal Facilities as they become due, including, without limitation, all costs of design, engineering, materials, labor, construction and inspection arising in connection with the Internal Facilities; all payments arising under any contracts entered into by Developer for the construction of the Internal Facilities; all costs incurred by Developer in connection with obtaining governmental approvals, certificates, permits, easements, rights-of-way, or sites required as a part of the construction of the Internal Facilities; and all out-of-pocket expenses incurred in connection with the construction of the Internal Facilities. Village will not be liable to any contractor, engineer, attorney, materialman or other party employed or contracted with in connection with the construction of the Internal Facilities.

**5.5 Duty to Repair and Warranty**. Developer shall provide to Village a maintenance bond from the contractor that provides for the repair of the Internal Facilities during a one-year warranty period commencing upon final completion of construction of each phase of the Internal Facilities. The maintenance bond shall be in an amount equal to 25 percent of the construction cost of the wastewater improvements being accepted by Village.

**5.6 General Requirements for Performance and Payment Bonds.**

(a) To ensure that the Internal Facilities are satisfactorily completed, Developer shall post a payment bond and performance bond for all Internal Facilities.

(b) All performance bonds and payment bonds shall be issued in the amount of the cost of the Internal Facilities as security for the faithful performance and/or payment of Developer's obligations under this Agreement. Performance bonds and payment bonds shall be issued by a solvent U.S. corporate surety and authorized to do business in the State of Texas, and shall meet any other requirements established by law. The bonds shall be executed or countersigned by a Texas resident agent.

(c) Developer shall obtain a performance bond from its general contractor that shall extend and remain in effect through the warranty period as provided in Section 5.5. Developer shall assign its rights under the performance bond to Village.

(d) Developer shall obtain from its general contractor a payment bond for all Internal Facilities. The payment bond shall remain in effect until proof that all Developer's due payment in connection with construction of the Internal Facilities, or portion thereof as appropriate, pursuant to this Agreement have been properly paid, or until the statutory time for notice of unpaid bills has expired, whichever is later.

(e) Claims on Payment Bonds must be sent directly to Developer and its Surety in accordance with §2253.041, Texas Government Code. Village is not responsible in any manner to a claimant for collection of unpaid bills, and accepts no responsibility because of any representation by an agent or employee.

**5.7 Insurance**. Developer shall require that all workers involved with the installation and construction of the Internal Facilities are covered by workers' compensation insurance as required by the laws of the State of Texas. Developer shall also require that its contractors procure and maintain, comprehensive general liability insurance insuring against the risk of bodily injury, property damage, and personal injury liability occurring from, or arising out of, construction of the Internal Facilities, with such insurance in the amount of a combined single limit of liability of at least $1,000,000 and a general aggregate limit of at least $1,000,000. Such insurance coverage shall be maintained in force at least until the completion, inspection and acceptance of the Internal Facilities. Village shall be named as an additional insured on all such insurance coverages.

**5.8 Tax Exemption**. Village agrees to furnish to Developer such information as may be reasonably necessary to confirm that the Internal Facilities will be dedicated to Village and used for governmental purposes. Developer may use such information for purposes of qualifying for a sales tax exemption, but Village makes no representation or guarantee that Developer is entitled to any tax exemption.

## VI.
## REAL PROPERTY ACQUISITION

**6.1 Easements**. All Internal Facilities located within the Property shall be constructed within public right of way, within public utility easements dedicated by plat, or by other easement instrument (which may be exclusive).

**6.2 Off-Site Real Property Interests**. Village is responsible for securing, at its sole cost and expense, all easements or other real property interests required for construction and operation of the Village Wastewater Improvements.

**6.3 Connection Easements.** Village will make existing right-of-way and/or existing non-exclusive easements available for the connection of Internal Facilities to the Royal Street Wastewater Line Improvements. Developer will exercise good faith efforts to secure any easements that are otherwise necessary to connect the Internal Facilities to the Village System in the most cost efficient manner practicable. In the event Developer is unable to secure such easements by negotiation with landowners, Village will construct the necessary facilities to timely extend the Royal Street Wastewater Line Improvements to the Internal Facilities constructed by Developer so as to not delay the availability of retail wastewater service within the Property. The Developer shall be responsible for reimbursement to Village of all engineering and construction costs incurred by Village associated with the extension of wastewater line improvements from the Village System to the Internal Facilities constructed by the Developer.

## VII.
## REPRESENTATIONS AND WARRANTIES

**7.1 Representations of Developer.** The Developer represents and warrants that:

(a) It is a Texas limited liability company qualified in all respects to conduct business within the State of Texas;

(b) The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Developer and the person executing this Agreement on behalf of Developer has been fully authorized and empowered to bind Developer to the terms and provisions of this Agreement;

(c) It has no knowledge of any liens, leases, options, claims, encumbrances or any other adverse rights, claims or interests with respect to the Internal Facilities;

(d) The contemplated transfer of the Internal Facilities to Village will not violate any term, condition or covenant of any agreement to which it is a party; and

(e) Execution of this Agreement and the consummation of the transactions contemplated hereunder will not constitute an event of default under any contract, covenant or agreement binding upon it;

Village is executing this Agreement in reliance on each of the warranties and representations set forth above and each such representation and warranty will survive the execution and delivery of this Agreement and the consummation of the transactions contemplated by this Agreement.

**7.2 Representations of Village.** Village represents and warrants to Developer that:

(a) Village is a political subdivision of the State of Texas duly created by and validly, and has the requisite power and authority to take all necessary action to execute and deliver this Agreement and to perform all obligations hereunder;

(b) The execution, delivery and performance of this Agreement have been duly authorized by all necessary action on the part of Village and the person executing this Agreement on behalf of Village has been fully authorized and empowered to bind Village to the terms and provisions of this Agreement;

(c) This Agreement does not contravene any law or any governmental rule, regulation or order applicable to Village;

(d) The execution and delivery of this Agreement and the performance by Village of its obligations hereunder do not contravene the provisions of, or constitute a default under, the terms of any indenture, mortgage, contract, resolution, or other instrument to which Village is a party or by which Village is bound; and

(e) The contemplated acquisition of the Internal Facilities by Village will not violate any term, condition or covenant of any agreement to which Village is a party;

Developer is executing this Agreement in reliance on each of the warranties and representations set forth above and each such representation and warranty of Village will survive the execution and delivery of this Agreement and the consummation of each of the transactions contemplated by this Agreement.

**7.3 Survival of Covenants.** The covenants contained in this Article will survive the conveyance, transfer and assignment of the Internal Facilities and will continue to bind Village and Developer as provided herein.

## VIII.
## REMEDIES

**8.1 Village Remedies.** If Developer fails or refuses to timely comply with any of its obligations hereunder, or if, Developer's representations, warranties or covenants contained herein are not true or have been breached, Village will have the right to enforce this Agreement by any remedy at law or in equity or under this Agreement to which it may be entitled; to terminate this Agreement; or to waive the applicable objection or condition.

**8.2 Developer Remedies**. If Village fails or refuses to timely comply with its obligations hereunder, or if, Village's representations, warranties or covenants contained herein are not true or have been breached, Developer will have the right to enforce this Agreement by any remedy at law or in equity to which it may be entitled.

**8.3 Default Process**. If one Party believes that the other Party is in default of any provision of this Agreement, the non-defaulting Party will give written notice to the other Party, specifying the event of default and extending the defaulting Party 90 days to cure the Default or, if the

curative action cannot reasonably be completed within 90 days, 90 days to commence the curative action and thereafter to diligently pursue the curative action to completion. This 90 day period for notice and opportunity to cure must pass before the non-defaulting Party may initiate any remedies available to the non-defaulting Party due to an alleged default. The non-defaulting Party must mitigate any direct or consequential damages arising from any default to the extent reasonably possible under the circumstances. The Parties agree that they will use good faith, reasonable efforts to resolve any dispute by agreement, including engaging in non-binding arbitration, mediation or other alternative dispute resolution methods as recommended by the laws of the State of Texas before initiating any lawsuit to enforce their respective rights under this Agreement. If the default is not cured within the 90 day period, or if curative action is not commenced or diligently pursued in the case of curative action that cannot reasonably be completed in 90 days, the non-defaulting Party may pursue all remedies, at law or in equity, that it deems appropriate to redress such default. Except as stated in the following sentence, nothing in this Agreement will be construed to limit either Party's right to recover damages or to seek other appropriate curative remedies if a non-defaulting Party files a breach of contract action relating to this Agreement. Neither Party shall be liable to the other Party for special, consequential, incidental, punitive or indirect damages or lost profits.

**8.4 Specific Performance**. The Parties recognize that the availability, continuation and adequacy of wastewater services is essential because of the potential threat to the health, safety, and welfare and property of residents and property owners, and for the development of the Property to proceed. The Parties will therefore have recourse to all rights and remedies in law and equity available to enforce the terms of this Agreement including, without limitation, the rights of specific performance and mandamus actions to enforce the terms of this Agreement.

**8.5 Agreement to Negotiate First to Resolve Issues**. The Parties agree to first attempt to resolve disputes concerning this Agreement amicably by promptly entering into negotiations in good faith. The Parties agree that they will not refer any dispute to another dispute resolution procedure, including mediation or litigation, until they have first made reasonable and good faith efforts to settle their differences by joint negotiations conducted in a timely manner.

## IX.
## NOTICES

**9.1 Addresses.** All notices hereunder from Developer or Developer to Village will be sufficient if sent by certified mail or facsimile transmission with confirmation of delivery, addressed to Village to the attention of Village Administrator, at P.O. Box 219, Salado, Texas 76571, Facsimile (254) 947-5061, with copy to Alan Bojorquez, Bojorquez Law Firm, P.C., 12325 Hymeadow Drive, Suite 2-100, Austin, Texas 78750. All notices hereunder from Village to Developer will be sufficiently given if sent by certified mail or facsimile transmission with confirmation of delivery to Developer to the attention Sanctuary Development Company, 1101 S. Bryant Blvd., San Angelo, TX 76903, fax (325) 658-6060 with copy to Tony Corbett, Freeman & Corbett, 8500 Bluffstone Cove, Suite B-104, Austin, Texas 78759.

## X.
## ASSIGNMENT

**10.1 Assignment.**

(a) The terms of this Agreement will be binding upon the Developer and its permitted assigns and shall survive judicial or non-judicial foreclosure, for so long as it remains in effect.

(b) Developer has the right, from time to time, to assign this Agreement, in whole or in part, to a non-lender person or entity ("*Assignee*") provided the following conditions are met: (1) Assignee is an owner of all or any part of the Property; (2) Assignee expressly assumes in the assignment all obligations and expressly agrees in the assignment to observe, perform, and be bound by this Agreement; and (3) a copy of the executed assignment is provided to Village within fifteen (15) days after execution (collectively, the "*Assignment Conditions*") with documentation evidencing compliance with the Assignment Conditions. From and after the date a copy of the executed assignment is provided to Village, and if the Assignment Conditions are each satisfied, Village agrees to look solely to Assignee for the performance of all obligations assigned to Assignee and agrees that Developer shall be released from performing the assigned obligations and from any liability that results from the Assignee's failure to perform the assigned obligations. No assignment by Developer shall release Developer from any liability that resulted from an act or omission by Developer that occurred prior to the effective date of the assignment unless Assignee accepts such liability as part of the assignment.

(c) Developer has the right, from time to time, to assign this Agreement, in whole or in part, to a holder of any obligation or debt of Developer or any successor owner of all or any part of the Property or this Agreement secured by any mortgage, deed of trust, collateral assignment, security interest, lien or other encumbrance, any amendment or modification of the terms thereof, including without limitation any extension, renewal or refinancing thereof (a "*Lender*") without Village's prior written consent. Developer shall provide notice to Village of any Lender assignment within fifteen (15) days after execution of the assignment with a copy of the documents and instruments created and governing Lender's interests and rights. No assignment by Developer to a Lender shall release Developer from any of Developer's obligations under this Agreement.

(d) Developer shall maintain written records of all assignments made by Developer (including, for each Assignee and Lender, the documentation demonstrating compliance with the Assignment Conditions, and including a copy of each executed assignment) and, upon written request from any Party, Assignee, or Lender shall provide a copy of such records to the requesting person or entity.

(e) This Agreement is not intended to be binding upon, or create any encumbrance to title as to, any ultimate consumer who purchases a fully developed and improved lot within the Land, nor is it intended to confer upon such person the status of a third party beneficiary.

## XI.

## MISCELLANEOUS

**11.1 Recordation.** This Agreement, or a Memorandum of Agreement signed by the Parties, shall be recorded in the Official Public Records of Bell County, Texas within sixty days of the Effective Date, at Developer's expense.

**11.2 Term.** The term of this Agreement shall be forty-five (45) years commencing upon the Effective Date.

**11.3 Execution.** This Agreement may be simultaneously executed in any number of counterparts, each of which will serve as an original and, will constitute one and the same instrument.

**11.4 Costs and Expenses.** Except as otherwise expressly provided herein, each Party will be responsible for all costs and expenses incurred by such Party in connection with the transaction contemplated by this Agreement.

**11.5 Governing Law.** This Agreement will be governed by the Constitution and laws of the State of Texas, except as to matters exclusively controlled by the Constitution and Statutes of the United States of America.

**11.6 Successors and Assigns.** Except as set forth in Article X above, the assignment of this Agreement by either Party is prohibited without the prior written consent of the other Party, which consent will not be unreasonably withheld. All of the respective covenants, undertakings, and obligations of each of the Parties will bind that Party and will apply to and bind any successors or assigns of that Party.

**11.7 Headings.** The captions and headings appearing in this Agreement are inserted merely to facilitate reference and will have no bearing upon its interpretation.

**11.8 Partial Invalidity.** If any of the terms, covenants or conditions of this Agreement, or the application of any term, covenant, or condition, is held invalid as to any person or circumstance by any court with jurisdiction, the remainder of this Agreement, and the application of its terms, covenants, or conditions to other persons or circumstances, will not be affected.

**11.9 Waiver.** Any waiver by any Party of its rights with respect to a default or requirement under this Agreement will not be deemed a waiver of any subsequent default or other matter.

**11.10 Amendments.** This Agreement may be amended or modified only by written agreement duly authorized by the authorized representatives of all Parties.

**11.11 Cooperation.** The Parties agree to cooperate at all times in good faith to effectuate the purposes and intent of this Agreement. Without limitation, each Party agrees to execute and

deliver all such other and further instruments and undertake such actions as are or may become necessary or convenient to effectuate the purposes and intent of this Agreement.

**11.12 Venue.** All obligations of the Parties are performable in Bell County, Texas and venue for any action arising hereunder will be in Bell County.

**11.13 Third Party Beneficiaries.** Except as otherwise expressly provided herein, nothing in this Agreement, express or implied, is intended to confer upon any person, other than the Parties, any rights, benefits, or remedies under or by reason of this Agreement.

**11.14 Representations.** Unless otherwise expressly provided, the representations, warranties, covenants and other agreements will be deemed to be material and continuing, will not be merged, and will survive the conveyance and transfer of the Internal Facilities to Village.

**11.15 Exhibits.** All exhibits attached to this Agreement are hereby incorporated in this Agreement as if the same were set forth in full in the body of this Agreement.

**11.16 Severability**. The provisions of this Agreement are severable and, if any provision of this Agreement is held to be invalid for any reason by a court or agency of competent jurisdiction, the remainder of this Agreement will not be affected and this Agreement will be construed as if the invalid portion had never been contained herein.

**11.17 Entire Agreement.** This Agreement, including the attached exhibits, contains the entire agreement between the Parties with respect to the subject matter hereof, and supersedes all previous communications, representations, or agreements, either verbal or written, between the Parties with respect to such matters.

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be signed, sealed and attested in duplicate by their duly authorized officers, as of the Effective Date.

**VILLAGE OF SALADO**

By: _____
Name: Skip Blancett
Title: Mayor
Date: Oct 7th 15

Mary Ann Ray
Village Secretary

THE STATE OF TEXAS §
§
COUNTY OF BELL §

This instrument was acknowledged before me on the 25th day of November, 2015, by Skip Blancett, Mayor of the Village of Salado, a Texas general law municipality, on behalf of said municipality.

Amanda Lynn Cady
Notary Public, State of Texas

(SEAL)

AMANDA LYNN CADY
Notary Public
STATE OF TEXAS
My Comm. Exp. March 8, 2017

**DEVELOPER:**

**SANCTUARY DEVELOPMENT, LLC**, a Texas limited liability company

By: _____

Billie Hanks, Jr., as Member and Manager

Date: November 25, 2015

THE STATE OF NORTH CAROLINA §
§
COUNTY OF TRANSYLVANIA §

This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as the Member and Manager of Sanctuary Development Company, LLC, a Texas limited liability company, on behalf of said limited liability company.

_____
Notary Public, State of Texas

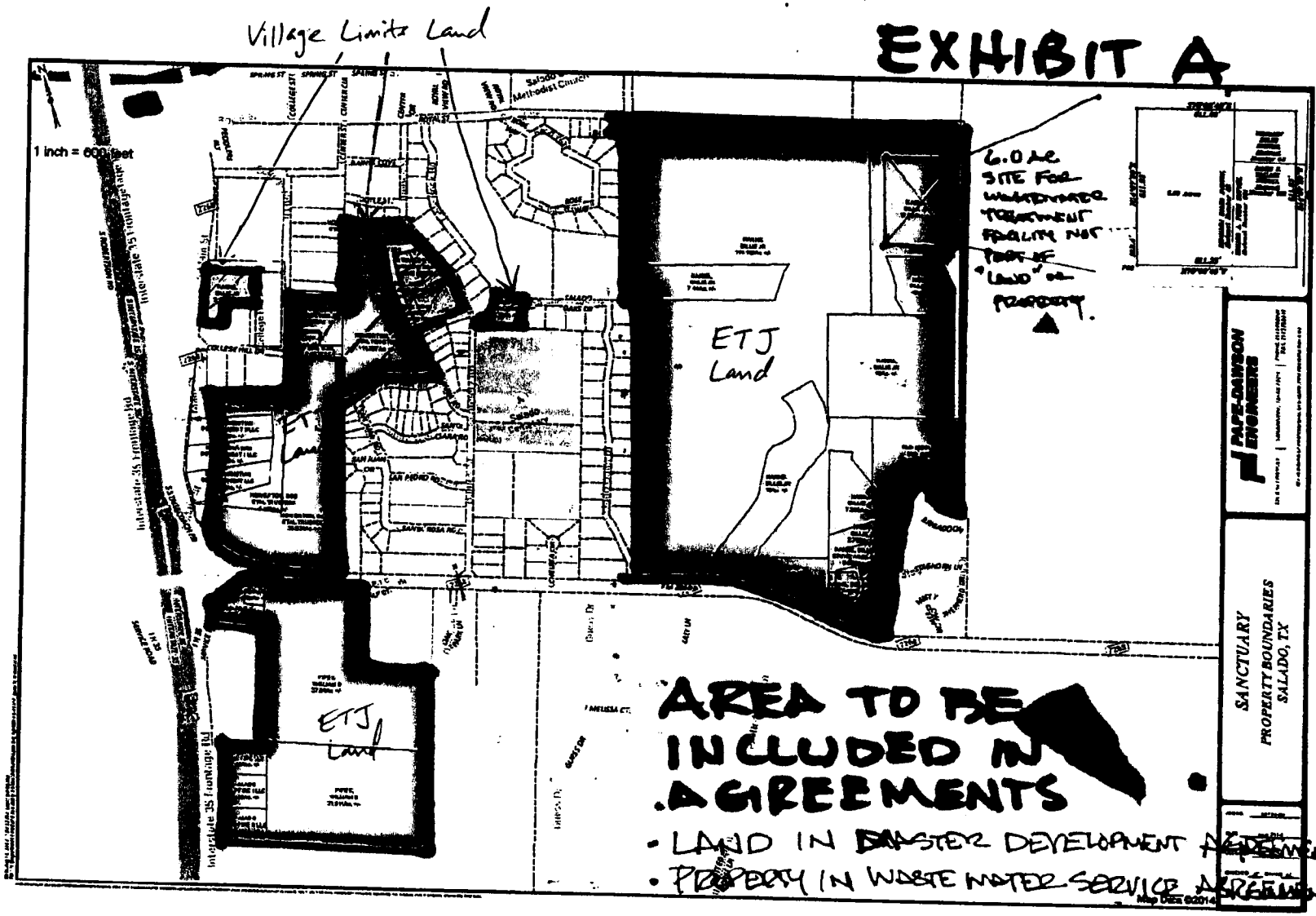
(SEAL)

PORI G. ORTIZ
NOTARY PUBLIC
STATE OF TEXAS
12-21-2015

**Exhibit "A"**

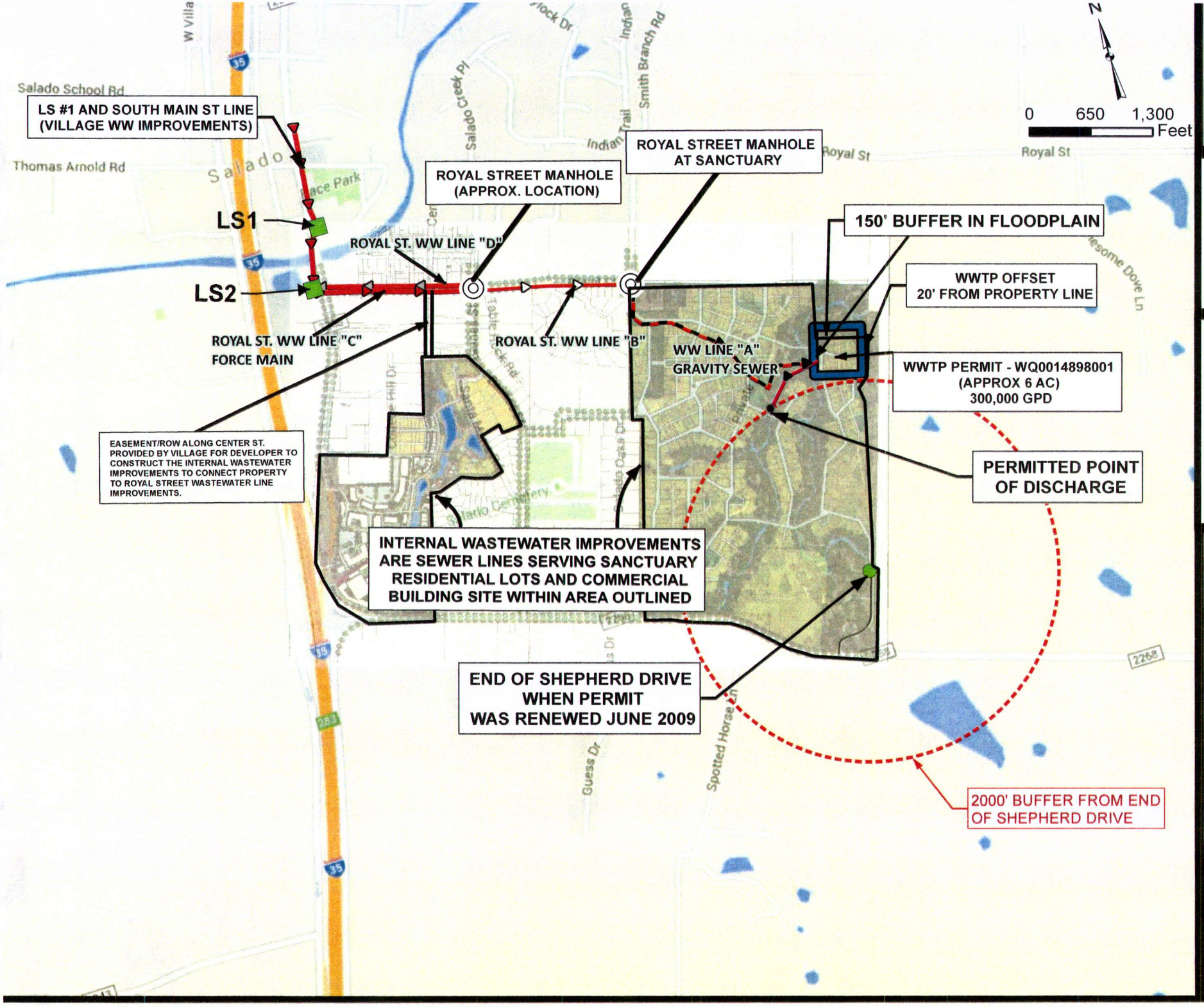
**Description of Property**

# EXHIBIT A


Village Limits Land
1 inch = 600 feet
Interstate 35 Frontage Rd
ETJ Land
ETJ Land
6.0 AC SITE FOR WASTEWATER TREATMENT FACILITY NOT PART OF "LAND" OR PROPERTY.
AREA TO BE INCLUDED IN AGREEMENTS
• LAND IN MASTER DEVELOPMENT AGREEMENT
• PROPERTY IN WASTE WATER SERVICE AGREEMENT
PAPE-DAWSON ENGINEERS
SANCTUARY
PROPERTY BOUNDARIES
SALADO, TX

## Exhibit "B"

## Description of Village Wastewater Improvements




PAPE-DAWSON ENGINEERS

7800 SHOAL CREEK BLVD SUITE 220 WEST | AUSTIN, TEXAS 78757 | PHONE 512-454-8711 FAX: 512-459-8601

TEXAS BOARD OF PROFESSIONAL ENGINEERS, FIRM REGISTRATION # 470

*EXHIBIT B*
*ILLUSTRATIVE MAP*
*9/24/2015*

JOB NO. 50774-00

DATE Sep 2015

DESIGNER AL

CHECKED CS DRAWN AL

SHEET 1