

CIRCLE C LAND CORP.

98 San Jacinto Blvd., Suite 220
Austin, Texas 78701

Circle C Homeowners Association, Inc.
c/o Steve Bartlett
1000 Westbank Drive
Suite 2-C
Austin, Texas 78746

Re: Circle C Commercial Areas: Development Agreements

Dear Mr. Bartlett:

The purpose of this letter is to confirm certain agreements between Circle C Land Corp., a Texas corporation ("CCLC") and the Circle C Homeowners Association, Inc., a Texas non-profit corporation (the "Association"), relating to certain real property commonly known as the "Circle C Commercial Areas" as depicted on Exhibit "A" (the "Property"). The agreements set forth herein are subject to the City of Austin's final approval and execution, if applicable, of (i) an agreement ("Development Agreement") which permits development of the Property consistent with the Settlement Term Sheet, dated April 17, 2002, and (ii) zoning ordinances contemplated by the Development Agreement. The approvals set out in (i) and (ii) of the preceding sentence are collectively referred to as the "Required Approvals."

A. Restrictions. CCLC has agreed to record that certain Master Declaration of Covenants, Conditions, Restrictions and Easements, a copy of which is attached hereto as Exhibit "B" (the "Declaration"). The Property encumbered by the Declaration will be developed as separate Development Areas (as defined in the Declaration) consisting of differing lot sizes and lot configurations. The Declaration permits CCLC to record a Development Area Declaration with additional restrictions applicable to each Development Area. CCLC and the Association have made the following agreements relating to each Development Area Declaration to be filed for the Property:

1. Recordation of Declaration. Within fifteen (15) business days after the City of Austin and CCLC execute the Development Agreement, CCLC will record the Declaration and a Notice of Applicability in accordance with Section 10.04 of the Declaration.

2. Recordation of Development Area Declarations. CCLC will record a Development Area Declaration for each Development Area, or make a Development Area subject to a previously recorded Development Area Declaration, on or before sixty (60) days after a final approved plat of such Development Area has been recorded in the Official Records of Travis County, Texas.

3. Development Area Guidelines. CCLC will adopt architectural guidelines for each Development Area prior to the recordation of any Development Area Declaration applicable to such Development Area, which shall include the landscaping requirements set forth on Exhibit "C", attached hereto and incorporated herein by reference. The landscaping requirements may be modified by the architectural control committee established under the Declaration. The architectural control committee

shall also adopt guidelines governing the erection of signs within the Property encumbered by the Declaration, which unless otherwise agreed by all the members of the architectural control committee, will be adopted on or before one hundred and eighty (180) days after the Declaration of recorded in the Official Public Records of Travis County, Texas. The architectural control committee shall be comprised of two members appointed by CCLC and one member appointed by the Association. The initial architectural control committee shall be composed of the following members: Belinda Wells (CCLC appointee); Bob Wetmore (CCLC appointee and licensed architect); and Susan Hoover (Association appointee).

B. Landscape Screening: Tract 101. It is anticipated that in conjunction with development of a portion of the Property known as "Tract 101" (as depicted on Exhibit "D"), a water quality pond will be constructed on Tract 101 in the location depicted on Exhibit "D" (the "Water Quality Pond"). In the event that the City of Austin approves a site plan for Tract 101 which requires construction of the Water Quality Pond, then on or before sixty (60) days after such approval, CCLC (or CCLC's assigns) will pay the cost for two (2) container grown trees with a minimum diameter of two inches (2"), of CCLC's selection (provided such selection is compliant with the approved list of plant materials established by the architectural committee of the Association) in the rear yards of Lots 35, 36 and 37, Block I, Circle C Phase A, Section 5, a subdivision located in Travis County, Texas, according to the map or plat recorded in Volume 96, Page 257-259, Plat Records of Travis County, Texas. CCLC shall pay the cost of the required trees directly to the Association, and upon such payment, CCLC's obligations under this paragraph shall be deemed satisfied.

In the event the Water Quality Pond is not required to be constructed and the City of Austin approves a site plan for the construction of a building or parking facilities in the location of the Water Quality Pond, then CCLC (or CCLC's assigns) shall be obligated on or before sixty (60) days after such approval, to cause to be planted six (6) container grown trees with a minimum diameter of two inches (2") and six (6) 15 gallon ornamental plants on the Water Quality Pond Site.

C. Escarpment Boulevard. Upon the request of CCLC, the Association will request in writing that the City of Austin permit the extension of Escarpment Boulevard, an existing public thoroughfare, through a portion of the Property known as "Tract 103" (as depicted on Exhibit "A"). The Association will request that the Escarpment extension include two lanes of traffic plus bike lanes separated by a median. From time to time, CCLC may be required to obtain approvals from applicable governmental authorities for construction of the extension. The Association agrees to cooperate with CCLC's efforts in this regard. In the event the extension is approved and constructed, then in conjunction with development of Tract 103 and construction of the Escarpment extension, CCLC (or CCLC's assigns) shall install landscaping within the extension median compatible with the existing landscaping installed at the intersection of Slaughter Lane and the existing portion of Escarpment Boulevard.

D. Required Fencing/Landscaping/Lighting: Tract 110, Lot 1. In conjunction with the development of all or any portion of Lot 1, Circle C Ranch, Phase B, Section 19, a subdivision located in Travis County, Texas, according to the map or plat recorded in Volume 98, Page 371, Official Public Records of Travis County, Texas ("Lot 1"), CCLC (or CCLC's assigns) shall construct a wrought iron and/or masonry fence on Lot 1 parallel and adjacent to the common boundary line of Lot 1 and the LaCrosse Avenue right-of-way (the "Lot 1 Fence"). The Lot 1 Fence shall be compatible to the fence which presently exists on the north side of the LaCrosse Avenue right-of-way. The Lot 1 Fence shall be designed to accommodate ingress and egress from LaCrosse Avenue to any roadway to be constructed from Lot 1 to LaCrosse Avenue. In the event Lot 1 is developed for any use other than single family residential (single family residential shall include a condominium regime which includes detached single-family residential structures): (i) the Lot 1 Fence shall be appropriately screened with landscaping or berms as required by the architectural control committee established under the Declaration; and (ii)

container grown trees with a minimum diameter of two inches (2") shall be planted along the northern and southern right-of-way of LaCrosse Avenue on or adjacent to Lot 1 to fill gaps between the trees currently located in the median. The number and location of the trees required to be planted in accordance with (ii) shall be determined by reference to generally accepted horticultural standards. If, upon installation of any landscaping required by this Paragraph, the Association and CCLC are parties to an agreement which pertains to the transfer, use, and/or maintenance of such landscaping, the landscaping required by this Paragraph shall be transferred, used and/or maintained in accordance with the terms of such agreement. In conjunction with development of Lot 1, CCLC (or CCLC's assigns) shall install street lighting along and adjacent to Lot 1 and LaCrosse Avenue compatible with the street lighting currently installed on the south side of LaCrosse Avenue.

E. Parking: Tract 110, Lot 2. In the event a portion of the Property known as Lot 2, Circle C Ranch Phase B, Section 19, a subdivision located in Travis County, Texas, according to the map or plat recorded in Volume 98, Page 371, Official Records of Travis County, Texas ("Lot 2"), is developed for any use other than single family residential (single family residential shall include a condominium regime which includes detached single-family residential structures), any buildings constructed on Lot 2 shall be located between LaCrosse Avenue, an existing public thoroughfare, and the primary parking lot or facility for such building. Secondary parking and the pick-up and drop-off of automobile passengers is permitted. Secondary parking, which may include handicap parking, visitor parking, and temporary parking, may be located between LaCrosse Avenue and any building constructed on Lot 2. Secondary parking shall be appropriately screened with landscaping or berms as required by the architectural control committee established under the Declaration.

F. Required Fencing/Landscaping: Tract 110, Lot 2. In conjunction with the development of all or any portion of Lot 2 and if required by the City of Austin, CCLC (or CCLC's assigns) shall construct a fence around the existing water quality pond located in southern portion of Lot 2 (the "Pond Fence"). The Pond Fence shall be constructed in accordance with all applicable requirements of the City of Austin and the design guidelines developed by the Association and CCLC. Chain link fencing shall not be incorporated into the Pond Fence. In conjunction with development of all or any portion of Lot 2, CCLC (or CCLC's assigns) shall construct a wrought iron and masonry fence on Lot 2 parallel and adjacent to the common boundary line of Lot 2 and LaCrosse Avenue to the intersection of LaCrosse Avenue and Dahlgreen Avenue (the "Lot 2 Fence"). The Lot 2 Fence shall be compatible to the fence which presently exists on the north side of LaCrosse Avenue. CCLC will attempt to retain the existing berms along and adjacent to the common boundary of Lot 2 and Dahlgreen Avenue throughout development and use of Lot 2. If the existing berms are removed, replacement berms of similar size and configuration shall be constructed in their place. In conjunction with the development of Lot 2, the berms shall be appropriately landscaped as required by the architectural control committee established under the Declaration. Any landscaping installed on Lot 2 adjacent to LaCrosse Avenue shall be compatible with the landscaping which is currently installed on the north side of LaCrosse Avenue. If, upon the installation of any landscaping required by this Paragraph, the Association and CCLC are parties to an agreement which pertains to the transfer, use, and/or maintenance of such landscaping, the landscaping shall be transferred, used and/or maintained in accordance with the terms of such agreement.

G. Extension of South Bay. South Bay Road is an existing public thoroughfare, a portion of which is located along and adjacent to Tract 110 (as depicted on Exhibit "A"). In conjunction with the development of Tract 110, CCLC anticipates that South Bay will be extended to accommodate such development. If permitted by the applicable governmental authorities, and generally accepted engineering and construction standards, the extension of South Bay shall be designed so as to avoid close proximity to existing residential homes. In the event South Bay is extended, CCLC (or CCLC's assigns) will install landscaping along the South Bay extension (the "South Bay Landscaping"). The South Bay Landscaping shall be compatible with the existing landscaping installed within the median and along

South Bay. If, upon the installation of any landscaping required by this Paragraph, the Association and CCLC are parties to an agreement which pertains to the transfer, use, and/or maintenance of such landscaping, the landscaping shall be transferred, used and/or maintained in accordance with the terms of such agreement.

H. Annexation of Residential Lots. In the event any portion of the Property encumbered by the Declaration is developed as single family residential lots, CCLC has agreed to withdraw such lots from the terms and provisions of the Declaration and permit the Association to incorporate the lots into the property administered by the Association. On or before thirty (30) days after CCLC submits to the City of Austin an application to plat all or any portion of such Property into single-family residential lots, CCLC shall notify the Association in writing of its intention and the Association shall have sixty (60) days to determine whether the Association desires to make the lots subject to its jurisdiction. In the event the Association elects to make the lots subject to its jurisdiction, the Association shall so notify CCLC, and CCLC shall prepare residential restrictions which pertain to the lots for the review and approval of the Association. The Association shall approve such restrictions on a timely basis (and in any event prior to the date CCLC must submit the restrictions to the applicable governmental authority in conjunction with plat approval) provided such restrictions are compatible with restrictions applicable to similarly developed lots subject to the jurisdiction of the Association. In addition, CCLC shall be designated as "Declarant" under such restrictions, and shall agree to transfer such rights to the Association upon the sale and conveyance of 90% of the residential lots. CCLC shall have no obligation to pay any assessments or fees to the Association by placing such lots under the jurisdiction of the Association; provided, however, that any third party who acquires a lot from CCLC with the intention of constructing a residence for sale to the public shall pay to the Association an amenity fee equal to \$1,000.00 and a marketing fee equal to \$500.00 on the date CCLC conveys the lot to such third party.

I. Fire Station Site. The portion of Tract 110 depicted on Exhibit "E" is intended to be used and developed as a fire station. In the event the portion of Tract 110 depicted on Exhibit "E" is not used or developed as a fire station, no improvement, except landscaping, pedestrian walkways, irrigation, detention and drainage facilities, water quality controls and related facilities, utility facilities, sidewalks, fencing and hike and bike trails shall be constructed upon such portion of Tract 110.

J. Trails. CCLC and the Association have agreed to create a joint committee comprised of representatives of the Association and the property owners association created under the Declaration, as more particularly described in that certain Shared Common Area and Expense Agreement, of even date herewith, to, among other things, discuss and make recommendations regarding common trail systems. CCLC will cooperate with the joint committee in its development of a master plan for the construction of trails within the Property encumbered by the Declaration and the property under the jurisdiction of the Association. CCLC (or CCLC's assigns) will construct the trails identified in the master plan approved by the joint committee. The trails will be constructed as each phase of the Property encumbered by the Declaration is developed. Phases will consist of either individually platted lots or site plans approved by the City of Austin, and CCLC will construct the trails located within a phase in conjunction with development of such phase. CCLC will have no obligation to construct any trail reflected in the master plan unless the trail has been approved by the City of Austin and is in compliance with all restrictions affecting the phase on which the trail is located.

K. Cooperation. From time to time, CCLC will be required to obtain the approval from governmental authorities having jurisdiction over the Property in order to development a commercial community on the Property. The Association agrees to cooperate with CCLC's efforts in this regard, provided that CCLC complies with the terms and provisions of this letter.

CCLC and the Association acknowledge that the obligations under this letter agreement will be binding on their successors and assigns.

Notwithstanding any provision in this letter agreement to the contrary, either CCLC or the Association may terminate this agreement in its entirety if: (i) all of the Property subject to the Declaration is eliminated from the Development Agreement pursuant to Section 4.2C thereof; or (ii) the Development Agreement is not executed by CCLC and the City of Austin on or before August 15, 2002. In addition, in the event a portion of the Property subject to the Declaration is withdrawn or eliminated from the Development Agreement pursuant to Section 4.2C thereof, either CCLC or the Association shall be permitted to partially terminate an obligation or right under established by this letter agreement to the extent such obligation or right pertains to the withdrawn or excluded portion of the Property.

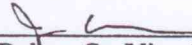
In the event of any dispute, claim, question, or disagreement arising from or relating to this agreement or the breach thereof, the parties hereto shall act in good faith and use their best efforts to settle the dispute, claim, question, or disagreement. To this effect, an authorized representative of each party hereto shall consult and negotiate with each other in good faith and, recognizing their mutual interests, attempt to reach a just and equitable solution satisfactory to both parties. If they do not reach such solution within a period of ten (10) days, then, upon notice by either party to the other, disputes, claims, questions, or differences shall be finally settled by binding arbitration administered by the American Arbitration Association in accordance with the provisions of its applicable rules. The arbitration process shall be concluded within thirty (30) days, or as soon thereafter as possible.

Please have an appropriate authorized representative of the Association consent to the matters set forth in this letter by signing the enclosed copy of this letter and returning the signed copy to me. This letter may be executed simultaneously in two or more counterparts, each of which will be deemed an original, but all of which will constitute one and the same instrument.

EXECUTED to be effective this ____ day of _____, 2003.

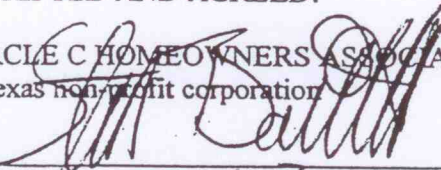
Sincerely,

CIRCLE C LAND CORP., a Texas corporation

By: 
John E. Baker, Sr. Vice-President

ACCEPTED AND AGREED:

CIRCLE C HOMEOWNERS ASSOCIATION, INC.,
a Texas non-profit corporation

By: 
Printed Name: STEVE BARTLETT
Title: VICE-President