
**Grassland Reserve Program
Conservation Easement**

This Conservation Easement Deed ("Deed") is made by and between **STEVEN WATSON & SONS, INC.**, 1212 East Boynton Street, Hamilton, Texas 76531-1610, and its successors, heirs, and assigns, ("Grantor") and the **UNITED STATES OF AMERICA**, by and through the Commodity Credit Corporation, ("Grantee" or "United States"). Grantor and the United States are jointly referred to as the "Parties." The acquiring agency of the United States is the Natural Resources Conservation Service ("NRCS"), United States Department of Agriculture, 101 South Main, Temple, Texas 76501.

I. Recitals and Conservation Purposes

A. Grantor owns the property ("Property") located in Hamilton County, Texas and legally described in **Exhibit A** attached hereto and made part of this Deed.

B. The grassland, forb, shrubland, wildlife habitat, and other natural characteristics of the Property (collectively referred to as "Conservation Values") as well as its state of improvement, are described in a Baseline Inventory Report ("Report") prepared by Grantee with the cooperation of Grantor and attached hereto at **Exhibit B**. The Report describes the condition of the Property as of the date of this Deed. The Report may be used by Grantee to assure that any future changes in the use of the Property are consistent with the terms of this Deed. However, this Report is not intended to preclude the use of other evidence to establish the condition of the Property at the time this Deed is executed.

C. Grantor intends that the grazing uses and related Conservation Values of the Property are to be protected. To effectuate this conservation purpose, Grantor intends to convey to Grantee the right to restore and conserve the grazing uses and related Conservation Values of the Property.

D. Acquisition of this Deed is authorized by the Grassland Reserve Program ("GRP"), sections 1238N through 1238Q of Title XII of the Food Security Act of 1985, as amended by the Food, Conservation, and Energy Act of 2008. The easement rights in the above-described lands are being acquired for administration by the Secretary of Agriculture through NRCS for the purposes of protecting grazing uses and related conservation values by restoring, enhancing, and conserving grassland, shrubland, forbs and wildlife habitat and biodiversity.

NOW THEREFORE, in consideration of the sum of **EIGHT HUNDRED NINETY-THREE THOUSAND SIX HUNDRED SIXTY-FIVE AND NO/100 DOLLARS (\$893,665.00)**, Grantor hereby grants and conveys with general warranty of title, to the United States and its assigns, an easement in the Property, including development rights and access to the Property, as

defined herein. It is the intent of Grantor to convey and relinquish all development rights to Grantee for the purpose of protecting the Conservation Values identified herein. This Deed shall constitute a servitude upon the Property so encumbered, shall run with the land, and shall bind Grantor, its heirs, successors, assigns, lessees, and any other person claiming under them.

Subject, however, to any valid rights of record.

The term of this easement is perpetual.

II. Purposes

The purpose of this Deed to protect the grazing uses and related Conservation Values on the Property by conserving, restoring and enhancing grassland, shrubland, forbs, wildlife habitat and biodiversity.

III. Permitted, Prohibited, Restricted and Reserved Activities

A. Grassland Uses of the Property. Grantor is permitted to graze, hay, harvest for seed production, mow, construct fire breaks, conduct fire pre-suppression and rehabilitation activities, and conduct common grazing practices, including maintenance and necessary cultural practices, consistent with the provisions and conservation purposes of this Deed. As used in this Deed, the term "common grazing practices" means those practices customary to the region where the Property is located related to livestock grazing, and includes forage management and necessary cultural practices such as the infrastructure required to conduct livestock grazing on the Property. Grantor shall not hay, mow or harvest for seed during certain nesting seasons for birds whose populations Grantee determines are in significant decline. Such determinations shall be made in writing to the Grantor, or set forth within the Grazing Management Plan on the Property (see paragraph IV. A.). The Grazing Management Plan will be maintained by NRCS following NRCS conservation planning procedures.

B. Quiet Enjoyment. Grantor reserves for itself and its invitees the right of quiet use and enjoyment and the right to convey or lease the Property and restrict public access.

C. Prohibited Acts. Grantor shall not perform, nor knowingly allow others to perform, any act, including those prohibited or restricted herein, that is inconsistent with the purposes of this Deed.

D. Crop Cultivation. Except for grazing uses permitted in paragraph III. A., the cultivation or production of crops, non-perennial forages for human or domestic animal consumption, or seed production is prohibited.

E. Non-Grassland Land Uses. The establishment of tree or shrub nurseries, fruit or nut producing trees, vineyards, tree farms or plantations, aquaculture ponds, or any activity that is

inconsistent with maintaining grazing land, except as specifically permitted in this Deed or a restoration plan approved by NRCS, is prohibited.

F. Incidental Lands. Grantee may determine that the enrollment of certain incidental lands (including but not limited to ponds and woods) present on this Property at the time this Deed is executed and identified in the Report, may be necessary to facilitate the administration of the easement boundary. Grantor may utilize and maintain such incidental lands in a manner that is compatible with the purposes of this Deed, as determined by Grantee.

G. Topography. Altering the existing topography of the Property by digging, plowing, disking, or otherwise disturbing the surface is prohibited, unless Grantee determines such actions are necessary to restore and maintain the viability of grassland and related Conservation Values and provides Grantor, in advance and in writing, approval subject to the terms and conditions Grantee determines are necessary to ensure the protection of grazing uses and related Conservation Values, or unless otherwise specifically permitted by this Deed or the Grazing Management Plan.

H. Waste. Dumping, collecting, recycling, or storing of trash, refuse, waste, sewage, or other debris is prohibited, except that animal waste may be applied on the Property as fertilizer as long as Grantee provides Grantor, in advance and in writing, approval subject to the terms and conditions Grantee determines are necessary to ensure the protection of the grazing uses and related Conservation Values.

I. Mining. The exploration, development, mining, or extraction of soil, sand, gravel, mineral, oil, gas, or any other hydrocarbon substance from the surface of the Property is prohibited. However, subsurface exploration and extraction of oil, gas, and minerals may be conducted utilizing techniques and methods that result in only a temporary disturbance to the surface of the soil, as determined by the Grantee, if Grantee also determines that such activities are consistent with conserving and maintaining the viability of grazing uses and related Conservation Values, and Grantee provides Grantor, in advance and in writing, approval subject to the terms and conditions Grantee determines are necessary to ensure the protection of these Conservation Values, including, but not limited to, requiring that all structures are located beneath the soil surface and that any disturbed surface is restored promptly to grassland. Subsurface extraction of gas, oil, and minerals may be conducted by off-site methods (such as slant drilling) that do not impact the surface of the Property. Any extraction permitted pursuant to this paragraph shall be conducted in compliance with Federal, State and local regulations and permits.

J. Construction of Buildings, Livestock Facilities or Other Structures. The repair, maintenance, or replacement of existing corrals, livestock holding pens, windmills, barns, or other minor structures, as identified in the Report, necessary to conduct common grazing practices on the Property, are permitted at the same location and within the existing footprint of such structures. Construction of new buildings, livestock facilities, or other structures necessary to conduct common grazing practices on the Property may be permitted on the Property, if Grantee determines that such activities are consistent with the purposes of this easement to

conserve and maintain the grazing uses and related Conservation Values, and provides the Grantor, in advance and in writing, approval subject to the terms and conditions Grantee determines are necessary to ensure the protection of these Conservation Values.

K. Watering Facilities. Grantor may maintain existing watering facilities (i.e., water tanks, troughs, and dugout ponds) for livestock or wildlife in their current location as identified in the Report. Grantor may construct or place on the Property new watering facilities for livestock and wildlife if Grantee determines that such facilities are consistent with conserving and maintaining the grazing uses and related Conservation Values, and Grantee provides the Grantor, in advance and in writing, approval subject to the terms and conditions Grantee determines are necessary to ensure the protection of these Conservation Values.

L. Fences. Existing fences may be repaired or replaced and new fences may be built on the Property for the purposes of managing livestock in a manner that is customary in the region where the Property is located and consistent with the purposes of this Deed.

M. Roads and Impervious Surfaces. No portion of the Property shall be paved or otherwise covered with concrete, asphalt, or any other impervious paving material, nor shall any road for access or other purposes be constructed. However, new roads necessary to conduct common grazing practices as permitted herein on the Property may be constructed with prior written approval of Grantee and subject to terms and conditions Grantee determines are necessary to maintain the viability of the grazing uses and related conservation values. Existing roads may be maintained and repaired in their current condition and within their existing footprint as identified in the Report. Maintenance and repair of existing roads shall not be construed to permit the paving of any existing road not already paved or otherwise covered in an impervious material.

N. Tree Cutting. Trees may be cut to control insects and disease, prevent personal injury and property damage, obtain firewood for personal use, and construct fences as permitted herein, with prior written approval of Grantee.

O. Recreational Uses. Undeveloped, passive, recreational uses, such as hiking, camping, bird watching, hunting, and fishing are permitted as long as such uses, as determined by Grantee, do not impair the grazing uses and other Conservation Values.

P. Motorized Vehicle Use. Motorized vehicle use on the Property is prohibited, except as necessary to carry out uses permitted herein on the Property. Off-road vehicle courses for snowmobiles, all-terrain vehicles, motorcycles, or other motorized vehicles are prohibited.

Q. Development Rights. The Property shall not be developed except as expressly permitted by this Deed. Subject to valid existing rights of record, all development rights associated with the Property are vested in Grantee. The Parties agree that these development rights are terminated and extinguished and may not be used on or transferred off of the Property to any other property or otherwise used.

R. Signs. Except for no trespassing signs, for sale signs, and signs identifying the owner of the Property, all other signs, advertisements, and billboards of any nature are prohibited. The permitted signs may not exceed 15 square feet in size. The Parties agree that the United States has the right to erect and maintain signs on the Property for the purpose of identifying this easement.

S. Exotic Species. The introduction, cultivation, or use of exotic plant or animal species is prohibited on the Property without prior written approval of Grantee and subject to terms and conditions Grantee determines are necessary to ensure the protection of the grassland resources and related Conservation Values referenced in this Deed.

T. Subdivision. The division, partition or subdivision of the Property is prohibited. However, Grantee may approve the division of the Property for reasons which Grantee determines, in its sole discretion, are sufficiently extraordinary to justify an exception to the prohibition. The terms of this Deed shall apply to any approved, subdivided parcels.

U. Utilities. The installation or relocation of new public or private utilities, including electric, telephone, or other communications services over the Property, is prohibited, except as provided in this provision. Existing utilities on the Property may be maintained, repaired, removed, or replaced at their current location as identified in the Report. The installation, repair, and maintenance of new underground utilities such as electric, gas, water, sewer lines, or other utilities may be permitted on the Property if Grantee determines that such activities will result in only a temporary disturbance and are consistent with conserving and maintaining the grazing uses and related Conservation Values, and provides Grantor, in advance and in writing, approval subject to terms and conditions Grantee determines are necessary. The construction or installation of wind, solar and other energy generation structures on the Property are permitted only when the Grantee determines, in its sole discretion, in advance and in writing, that such structures are consistent with conserving and maintaining the grazing uses and related Conservation Values.

V. Rights of Way. Rights-of-way are prohibited over, on, or below the Property, except the conveyance of rights-of-way by Grantor may be permitted under limited circumstances in the sole discretion of Grantee when Grantee determines that such a proposed action is consistent with the purposes of this Deed. Any permission granted under this provision must be in advance and in writing and may stipulate conditions in order to ensure protection of the grazing uses and related Conservation Values.

W. Water Rights. Grantor shall retain the right to use the water rights described in Exhibit C for the present and future use on the Property, as well as all wells, ditches, canals, headgates, springs, reservoirs, water allotments, and water rights of ways associated with the Property and identified in the Baseline Inventory Report. With the prior written approval of Grantee, Grantor may transfer, lease, sell, or otherwise separate a portion of those water rights from the Property

that the Grantee determines are not necessary to ensure the function of the grazing operation and the protection of the grazing uses and related Conservation Values.

X. Restoration. In furthering the conservation purposes of this Deed, Grantor may restore grasses, forbs, and shrubs on the Property if approved in advance and in writing by Grantee. In addition, Grantee shall have the right to enter the Property to undertake, at its own expense or on a cost-share basis with Grantor or other entity, activities to restore, protect, manage, maintain, enhance, and monitor the grazing uses and related Conservation Values.

IV. Affirmative Duties: Planning Requirements

A. Grazing Management Plan. The Parties agree that good resource management and land stewardship is important for present and future generations, for the protection and enhancement of grasses and other native and desirable, non-native vegetation on the Property, and in furtherance of its Conservation Values. Grantor agrees to implement a Grazing Management Plan on the Property developed and approved by Grantor and NRCS, which describes the practices, measures, and other conditions necessary for restoring and maintaining the viability of grazing uses and related conservation values. Subsequent to recording of this Deed, the Grazing Management Plan will be revised when necessary, as determined by NRCS or Grantor, to reflect any changes in the use of the Property that affect the viability of the grassland or other conservation values. The revised Grazing Management Plan shall be developed and approved by Grantor and NRCS. The Grazing Management Plan shall not include any provisions inconsistent with the purposes of this Deed.

B. Pest and Weed Control. Grantor is responsible for control of noxious weeds and pests according to Federal and State law.

V. Enforcement and Transfer

A. Enforcement.

1. Grantee has the right to prevent, correct, or require correction of violations of the terms of this Deed. Upon notification to the Grantor, Grantee or Grantee's agents may enter the Property to inspect for violations, including, but not limited to, assessing compliance with the Grazing Management Plan or other plan described in Section IV above. However, notification by Grantee prior to entry is not required when the Grantee believes there may be a violation of the terms of this Deed. If Grantee finds a violation, Grantee may at its discretion take appropriate legal action in law or equity. Upon discovery of a violation, Grantee shall notify Grantor in writing of the violation. Except when an on going or imminent violation could, as determined by Grantee, seriously impair the conservation values of the Property, Grantee shall give Grantor written notice of the violation and 30 days to correct it before filing any legal action.

2. If Grantor fails to cure the violation within 30 days after receipt of a notice of violation, Grantee may bring an action in court to enforce the terms of this Deed, to enjoin the violation, and to require restoration of the Property to the condition that existed prior to any such injury. Where a court finds that a violation has occurred, Grantor shall reimburse Grantee for all its expenses incurred in halting and correcting the violation, including but not limited to reasonable attorneys' fees.

3. Any delay by Grantee in exercising its rights under this Deed in the event of any violation of its terms by Grantor shall not be deemed a waiver by Grantee of such rights with respect to that violation. Moreover, any failure by Grantee to discover a violation of this Deed, or forbearance by Grantee in exercising its rights under this Deed in the event of any violation of its terms by Grantor, shall not be deemed a waiver by Grantee of such rights with respect to any subsequent violation.

B. Transfer of Easement Ownership. Upon prior written consent from Grantor, the Secretary of the United States Department of Agriculture ("Secretary") may transfer this easement to an Easement Holder, subject to the right to inspect the Property periodically and the terms set forth below. The Easement Holder must be a State agency, local government, Indian tribe or private conservation or land trust organization which, at the time of transfer, is a qualified organization under 16 U.S.C. 3838q that the Secretary determines has the appropriate authority, expertise, and relevant experience necessary to administer an easement on grassland, and resources necessary to assume title ownership to this easement.

1. In the event that the Easement Holder fails to enforce the terms of this easement, as determined in the discretion of the Secretary, the Secretary, his or her successors and assigns, shall have the right to enforce the terms of this easement through any and all authorities available under Federal or State law.

2. The Easement Holder may only transfer this easement to another qualified public or private entity as provided for under 16 U.S.C. 3838q(b) as that statute reads on the day that this Deed is executed, and the Grantor consents to the transfer.

3. Should this easement be transferred pursuant to this provision, all warranties and indemnifications provided for in this Deed shall continue to apply to the United States. Subsequent to the transfer of this easement, the Easement Holder shall be responsible for conservation planning and implementation, and will adhere to the NRCS Field Office Technical Guide for maintaining the viability of grazing uses and related Conservation Values.

4. Due to the Federal interest in this Deed, this Deed cannot be subject to condemnation without the permission of the United States.

VI. General Terms

A. Access. No public access is conveyed by this Deed. Grantor maintains the right and obligation to prevent trespass and control access by the public pursuant to Federal and State law, provided that Grantee has the right of ingress and egress to the Property over Grantor's property, whether or not Grantor's property is adjacent to or appurtenant to the Property, for the exercise of Grantee's rights under this Deed. The authorized representatives of Grantee may utilize vehicles and other reasonable modes of transportation for access purposes.

B. Responsibilities of Grantor and Grantee Not Affected. Other than as specified herein, this Deed is not intended to impose any legal or other responsibility on Grantee, or in any way affect any existing obligations of Grantor as the owner of the Property. For example:

1. **Taxes.** Grantor shall continue to be solely responsible for payment of all taxes and assessments levied against the Property.

2. **Upkeep and Maintenance.** Grantor shall continue to be solely responsible for the upkeep and maintenance of the Property.

C. Rights Acquired. The property rights of the United States acquired under this Deed shall be unaffected by any subsequent amendments to or repeal of the Grassland Reserve Program. If Grantor receives consideration for this easement in installments, the Parties agree that the conveyance of this easement shall be effective upon payment of the first installment.

D. Subsequent Conveyances. Grantor agrees to notify Grantee in writing of the names and addresses of any party to whom the Property is to be transferred at or prior to the time the transfer is consummated. Grantor and its successors and assigns shall specifically refer to this Deed in any subsequent lease, deed, or other instrument by which any interest in the Property is conveyed.

E. Subsequent Liens. No provisions of this Deed should be construed as impairing the ability of Grantor to use this Property as collateral for a loan, provided that any mortgage or lien associated with the loan is subject to or subordinated to this Deed.

F. Severability. If any provision of this Deed is found to be invalid, the remainder of its provisions shall remain in force.

G. Rules of Construction. This Deed shall be interpreted under the laws of the United States. Any ambiguities in this Deed and questions as to the validity of any of its specific provisions shall be resolved in favor of Grantee so as to preserve the conservation values of the Property and to give maximum effect to the purposes of this Deed.

H. Environmental Warranty. "Environmental Law" or "Environmental Laws" means any and all Federal, State, local or municipal laws, rules, orders, regulations, statutes, ordinances, codes, guidelines, policies, or requirements of any governmental authority regulating or imposing standards of liability or standards of conduct (including common law) concerning air, water, solid waste, hazardous materials, worker and community right-to-know, hazard communication, noise, radioactive material, resource protection, subdivision, inland wetlands and watercourses, health protection and similar environmental health, safety, building and land use as may now or at any time hereafter be in effect.

"Hazardous Materials" means any petroleum, petroleum products, fuel oil, waste oils, explosives, reactive materials, ignitable materials, corrosive materials, hazardous chemicals, hazardous wastes, hazardous substances, extremely hazardous substances, toxic substances, toxic chemicals, radioactive materials, infectious materials, and any other element, compound, mixture, solution or substance which may pose a present or potential hazard to human health or the environment.

Grantor warrants that it is in compliance with, and shall remain in compliance with, all applicable Environmental Laws. Grantor warrants that there are no notices by any governmental authority of any violation or alleged violation of, non-compliance or alleged non-compliance with or any liability under any Environmental Law relating to the operations or conditions of the Property. Grantor further warrants that it has no actual knowledge of a release or threatened release of Hazardous Materials, as such substances and wastes are defined by applicable Federal and State law.

Moreover, Grantor hereby promises to defend and indemnify Grantee against all litigation, claims, demands, penalties, and damages, including reasonable attorneys' fees, arising from or connected with the release or threatened release of any Hazardous Materials on, at, beneath, or from the Property, or arising from or connected with a violation of any Environmental Laws by Grantor or any other prior owner of the Property. Grantor's indemnification obligation shall not be affected by any authorizations provided by Grantee to Grantor with respect to the Property or any restoration activities carried out by Grantee at the Property; provided, however, that Grantee shall be responsible for any Hazardous Material contributed after this date to the Property by Grantee.

I. General Indemnification. Grantor shall indemnify and hold harmless Grantee, its employees, agents, and assigns for any and all liabilities, claims, demands, losses, expenses, damages, fines, fees, penalties, suits, proceedings, actions, and costs of actions, sanctions asserted by or on behalf of any person or governmental authority, and other liabilities (whether legal or equitable in nature and including, without limitation, court costs, and reasonable attorneys' fees and attorneys' fees on appeal) to which Grantee may be subject or incur relating to the Property, which may arise from, but is not limited to, Grantor's negligent acts or omissions or Grantor's breach of any representation, warranty, covenant, agreements contained in this Deed, or violations of any Federal, State, or local laws, including all Environmental Laws.

J. Notices. Any notices required by this Deed shall be in writing and personally delivered or sent by certified mail, return receipt requested, to Grantor and Grantee.

K. No Merger. If Grantee at some future time acquires the underlying fee title in the Property, the interest conveyed by this Deed will not merge with fee title but will continue to exist and be managed as a separate estate.

L. Acceptance. The signature below of Grantee's authorized representative constitutes acceptance of the rights and responsibilities conveyed by this Deed to the United States.

M. Captions. The captions used in this Deed have been inserted solely for convenience of reference. They are not part of this Deed and shall have no effect upon its interpretation.

N. Rights and Obligations. All provisions of this Deed apply to Grantor or Grantee and their respective agents, heirs, executors, administrators, assigns, and any other successors.

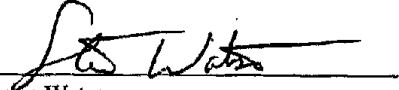
TO HAVE AND TO HOLD, this Conservation Easement Deed is granted to the United States of America and assigns. Grantor covenants that it is vested with good title to the Property and shall warrant and defend the same on behalf of the United States against all claims and demands. Grantor covenants to comply with the terms and conditions enumerated in this Deed governing use of the Property, and adjacent lands owned by the Grantor used for access to the Property, and to refrain from any activity that is restricted, prohibited, or inconsistent with the purposes of this Conservation Easement Deed.

Dated this 1st day of September, 2011.

Grantor(s):

STEVEN WATSON & SONS, INC.

By


Steven Watson
President

ACCEPTANCE BY GRANTEE:

I, Salvador Salinas (name), State Conservationist (title),
being the duly authorized representative of the Natural Resources Conservation Service, United
States Department of Agriculture, do hereby accept this Grassland Reserve Program
Conservation Easement on behalf of the United States of America, Grantee. This acceptance is
not effective until the date that the Grantor signs the deed or the date that the NRCS official signs
the Acceptance, whichever date is later.

Date: 8-25-11

Salvador Salinas
Salvador Salinas [name]
State Conservationist [title]

ACKNOWLEDGMENTS

STATE OF TEXAS

COUNTY OF HAMILTON

This instrument was acknowledged before me on Sept. 1, 2011 (date) by
Steven Watson as President of Steven Watson & Sons, Inc., a Texas corporation, on behalf of said
corporation.



Kathleen Manchin
Notary Public
My Commission expires: _____

STATE OF TEXAS

COUNTY OF BELL

This instrument was acknowledged before me on August 25, 2011 (date) by
Salvador Salinas in his capacity as State Conservationist (title),
Natural Resources Conservation Service, United States Department of Agriculture, on behalf of the
United States of America.



Mary Katherine Miller
Notary Public
My Commission expires: 5/15/14

This instrument was drafted by the Natural Resources Conservation Service, U.S. Department of Agriculture, Washington, D.C. 20250-1400.

The U.S. Department of Agriculture (USDA) prohibits discrimination in all its programs and activities on the basis of race, color, national origin, sex, religion, age, disability, political beliefs, sexual orientation, and marital or family status. (Not all prohibited bases apply to all programs.) Persons with disabilities who require alternative means for communication of program information (Braille, large print, audiotape, etc.) should contact USDA'S TARGET Center at (202)720-2600 (Voice and TDD).

To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410, or call 202-720-5964 (voice or TDD), USDA is an equal opportunity provider and employer.

EXHIBIT "A"

DESCRIPTION OF A 470.35 ACRE TRACT SITUATED IN THE JOSEPH B. WALDEN SURVEY, ABSTRACT NUMBER 857, AND BEING A PORTION OF THAT CALLED 474.85 ACRE TRACT OF LAND DESCRIBED IN A DEED TO STEVEN WATSON AND SONS, INC., AND RECORDED IN VOLUME 333, PAGE 392, REAL PROPERTY RECORDS, HAMILTON COUNTY, TEXAS, (R.P.R.H.C.T.), SAID 470.35 ACRE TRACT BEING SHOWN ON SAM INC. DRAWING NUMBER 31011-09.DWG AND BEING MORE PARTICULARLY DESCRIBED IN METES AND BOUNDS AS FOLLOWS:

BEGINNING at an 1/2-inch iron rod with yellow cap marked "Pfingsten 4405" found for the southwest corner of said 474.85 acre tract, and lying on the north line of a called 74.51 acre tract described in a deed to Gala Marie Powers, and recorded in Volume 363, Page 830, R.P.R.H.C.T., from which, a 3/8-inch iron rod found on the apparent west line of County Road 116, bears S 70°11'00" E, a distance of 7.76 feet;

THENCE North 72°58'16" West, with the common line of said 474.85 and 74.51 acre tracts, and generally along a fence, a distance of 1207.39 feet to a 4-inch iron fence post found for the northeast corner of said 74.51 acre tract;

THENCE North 73°00'14" West, continuing with the south line of said 474.85 acre tract and along a fence, a distance of 4452.86 feet to a 4-inch metal post found, from which an 1/2-inch iron rod with yellow cap marked "Pfingsten 4405" found for the southwest corner of said 474.85 acre tract, also being the northwest corner of a called 132 3/4 acre tract described in a deed to Jackie L. Monk and wife Carla M. Monk, and recorded in Volume 288, Page 507, Deed Records, Hamilton County, Texas (D.R.H.C.T.), bears North 63°15'03" West, a distance of 1.11 feet;

THENCE North 16°23'27" East, and with a fence, a distance of 126.56 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set;

THENCE North 16°53'14" East, with the west line of said 474.85 acre tract, a distance of 1550.70 feet to a 3/8-inch capped iron rod with orange cap marked "SHOCKLY RPLS 2286" found;

THENCE in a northeasterly direction, along a fence line, the following three (3) courses and distances:

1. North 20°03'00" East, a distance of 129.80 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
2. North 18°01'25" East, a distance of 168.81 feet to a 3-inch metal gate post found, and
3. North 17°35'07" East, continuing with said fence, a distance of 880.23 feet to a 3-inch metal fence post from which an 1/2-inch iron rod with yellow cap marked "Pfingsten 4405" found for an inner corner of said 474.85 acre tract, and lying on southerly line of a called 45.52 acre tract described in a deed to Patrick T. Bryson and Barbara J. Lovely, recorded in Volume 297, Page 490, D.R.H.C.T., bears North 87°07'09" West, a distance of 2.02 feet;

THENCE, in a northeasterly direction with the common line of said 474.85 and 45.52 acre tracts, and generally with a fence, the following two (2) courses and distances:

470.35 Acres of Land
STEVEN WATSON & SONS INC.
N.R.C.S. Grassland Reserve Program
Hamilton County, Texas

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FN D_0483.doc
SAM, Inc. Job No. 31011-09
GRP No. AG-7442-D-11-0013-009

1. North 81°01'43" East, a distance of 469.20 feet to a 3-inch metal fence post found;
2. North 39°22'59" East, a distance of 1695.91 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set along the south Right of Way line of FM 1744 (100' public right of way) and a called 6.41 acre tract described as Parcel 20 in a deed to the State of Texas and recorded in Volume 201, Page 187 D.R.H.C.T., from which a 1/2-inch iron rod with a yellow cap found for the most northerly northwest corner of said 474.85 acre tract, bears North 39°22'59" East, a distance of 1.59 feet;

THENCE in a southeasterly direction with the south right of way line of said FM 1744, the following four (4) courses and distances:

1. With the arc of a curve to the left, an arc distance of 263.09 feet, through a central angle of 06°26'12", having a radius of 2341.97 feet, and a chord bearing South 39°34'37" East, a distance of 262.95 feet to a concrete monument (broken) found,
2. South 42°49'59" East, a distance of 985.66 feet to a concrete monument (broken) found,
3. With the arc of a curve to the left, an arc distance of 354.94 feet, through a central angle of 08°58'36", having a radius of 2914.93 feet and a chord bearing South 46°15'36" East, a distance of 354.72 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set, from which a concrete monument found bears S 23°34'11" E, a distance of 3.83 feet, and
4. South 42°42'00" East, a distance of 342.05 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set;

THENCE, departing said right of way line, and traversing through said 474.85 acre tract the following thirteen (13) courses and distances:

1. South 38°48'25" West, generally with a fence, a distance of 323.33 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
2. South 55°59'34" East, generally with a fence, a distance of 91.04 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
3. South 33°37'07" West, a distance of 151.39 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
4. South 43°09'33" West, a distance of 1029.97 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
5. North 46°49'21" West, a distance of 250.00 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
6. South 43°10'39" West, a distance of 250.00 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
7. South 46°49'21" East, a distance of 280.00 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,

470.35 Acres of Land
STEVEN WATSON & SONS INC.
N.R.C.S. Grassland Reserve Program
Hamilton County, Texas

VOL 0454 PG 716

FN D_0483.doc
SAM, Inc. Job No. 31011-09
GRP No. AG-7442-D-11-0013-009

8. North 43°29'59" East, a distance of 1290.00 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
9. North 30°14'06" East, a distance of 147.81 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set in a fence line,
10. South 56°13'04" East, generally with a fence, a distance of 302.43 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
11. North 66°47'25" East, a distance of 12.13 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set under a fence line,
12. North 21°45'07" West, generally with a fence, a distance of 224.59 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set, and
13. North 14°56'39" East, continuing with said fence, a distance of 201.34 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set, lying on the south line of said FM 1744;

THENCE in a southeasterly direction, with said south right of way line, the following five (5) courses and distances:

1. South 72°57'00" East, a distance of 325.54 feet to a 5/8-inch iron rod with a "SAM INC" aluminum cap set,
2. With the arc of a curve to the left, an arc distance of 381.52 feet, through a central angle of 07°29'57", having a radius of 2914.93 feet and a chord bearing South 69°13'03" East, a distance of 381.25 feet to a concrete monument found (broken),
3. South 72°56'20" East, a distance of 888.93 feet to an 1/2-inch iron rod with a yellow cap marked "Pfingsten 4405" found,
4. With the arc of a curve to the right, an arc distance of 1103.01 feet, through a central angle of 69°48'13", having a radius of 905.37 feet and a chord bearing South 38°02'43" East, a distance of 1036.05 feet to a concrete monument found, and
5. South 03°04'25" East, a distance of 871.07 feet to a concrete monument found;

470.35 Acres of Land
STEVEN WATSON & SONS INC.
N.R.C.S. Grassland Reserve Program
Hamilton County, Texas

VOL 0454 PG 717

FN D_0483.doc
SAM, Inc. Job No. 31011-09
GRP No. AG-7442-D-11-0013-009

THENCE South 16°49'24" West, along the east line of said 474.85 acre tract, a distance of 2180.59 feet to the **POINT OF BEGINNING** and containing 470.35 acres.

Bearing Basis: Texas State Plane Coordinate System NAD 83 (CORS 2002) Central Zone 4203.
Distances are adjusted to surface values by dividing by a combined scale factor of 0.99990001

THE STATE OF TEXAS

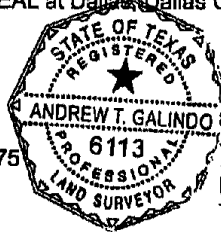
KNOW ALL MEN BY THESE PRESENTS:

COUNTY OF DALLAS

That I, Andrew T. Galindo, a Registered Professional Land Surveyor, do hereby certify that the above description is true and correct to the best of my knowledge and belief and that the property described herein was determined by a Survey made on the ground under my direction and supervision.

WITNESS MY HAND AND SEAL at Dallas, Dallas County, Texas the date shown below.

Surveying and Mapping, Inc.
1450 Empire Central, Suite 175
Dallas, Texas 75247



Andrew T. Galindo 04/07/2011

Andrew T. Galindo Date
Registered Professional Land Surveyor
Texas Registration Number 6113

EXHIBIT B

Baseline Inventory Report
Grassland Reserve Program
Steven Watson & Sons, Inc.
May 17, 2011

Attached GRP PLAN MAP IS A COMPONENT OF THIS REPORT

General Information

The property covered in this report is owned by Steven Watson & Sons, Incorporated, and is located north-west of the city of Hamilton near Carlton, Texas. The property ranges from 1260-1318 feet above sea level with an average annual precipitation of 34 inches. The property is located at the intersection of FM 1744 and CR 116. The property consists of 475 acres, of which 470.35 acres are being offered in the Grassland Reserve Program. The other 4.65 acres are not being offered into GRP and include a 250'X250' out area, road right-of-way leading up to the out area and hay trap. The exact location and boundary of these areas has been marked by a survey crew.

Historical Description

A large part of the property is composed of the Nuff complex of soils found in the Stony clay loam ecological site. The historic climax plant community is tall grass prairie with occasional live oak motts. Soils range from 2-6 percent slopes. Indian grass, little bluestem, and big bluestem produce 70 percent of the forage in climax condition with Indian grass being dominant. The property also has a large amount of the Blackland ecological sight composed of San Saba and Slidell soils. The climax vegetation is a tall grass prairie with a few live oak, elm, and hackberry trees along draws and in motts. The sight has high natural fertility and is very productive with indiangrass, switchgrass, big bluestem and little bluestem producing 75 percent of the forage. A Shallow ecological site is found on the property with Cho, Oglesby and Pidcoke soils. The climax vegetation is a mid and tall grass prairie with many forbs. Little bluestem is the dominant grass producing 45 percent of the forage. The Very Shallow ecological site is also present with the Maloterre soil on the property. The climax vegetation is a mid grass prairie with many forbs. Side oats grama and little bluestem are dominant grasses, producing 50 percent of the forage in climax conditions. A Clay loam ecological site is found with Topsey, Denton, Bolar and Krum soils on the property. Little bluestem, big bluestem, indiangrass and switchgrass produce 70 percent of the forage in climax condition.

Current Land Use

The property is currently divided into 4 fields in which field #1 is 52.1 ac of pastureland seeded to WW - B-Dahl bluestem and Klein grass with another 44.1 ac of native rangeland, field #2 is a central area consisting of 1.9 ac for gathering and watering cattle and to also store hay, field #3 is 132.4 ac of pastureland which is Bermuda grass, and field #4 is 244.1 ac of native rangeland. There is invasive species of mesquite and juniper that has an average canopy of about 20-30%. Most of the juniper is blueberry but redberry is present on the acreage consisting of less than 5%. This property has a history of being heavily overgrazed by cattle changing the plant community to primarily short grasses. Deferment will be required for a minimum of 2 years on all native grasses and 1 year on improved pastures to increase stand and plant vigor. Determination will be made during this time period on whether or not native grasses should be restored by range planting.

Water Resources

There is one pond for livestock water located in the southeastern part of field #4. This pond is considered permanent water. It holds very well even in times of drought. There are also 3 livestock water troughs (in fields 1, 3, & 4) supplied by an agricultural water well in the northern portion of field #4.

Roads

Roads on the property are unimproved dirt, leaving very little footprint and limiting erosion. Roads are approximately 10-12ft wide.

Fences

The entire perimeter is fenced with a traditional barbed-wire livestock fence. Cross fences are of the same kind.

Structures

There is one barn (40ft X 60ft) used for storing hay on the property. There are no other structures except for a concrete slab as shown in figure 1.

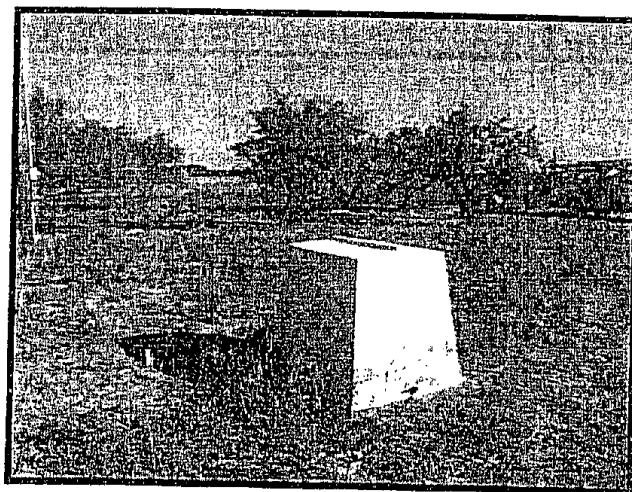


Figure 1. Functioning well just inside front gate looking northwest used for livestock.

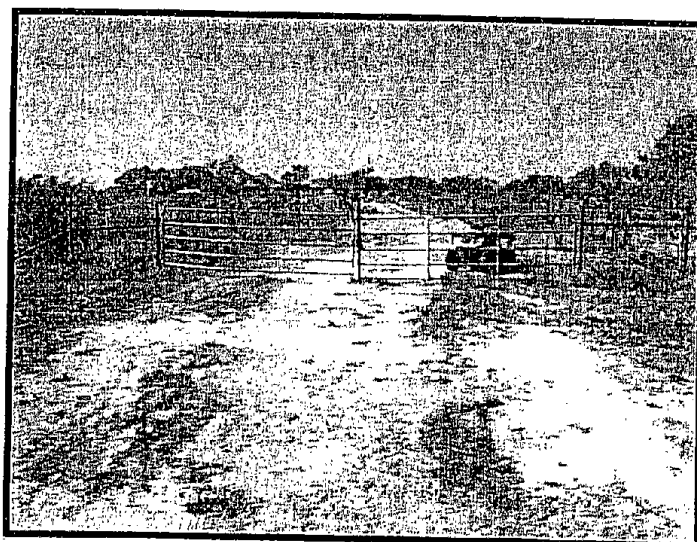


Figure 2. Entrance to front gate looking south from FM RD 1744

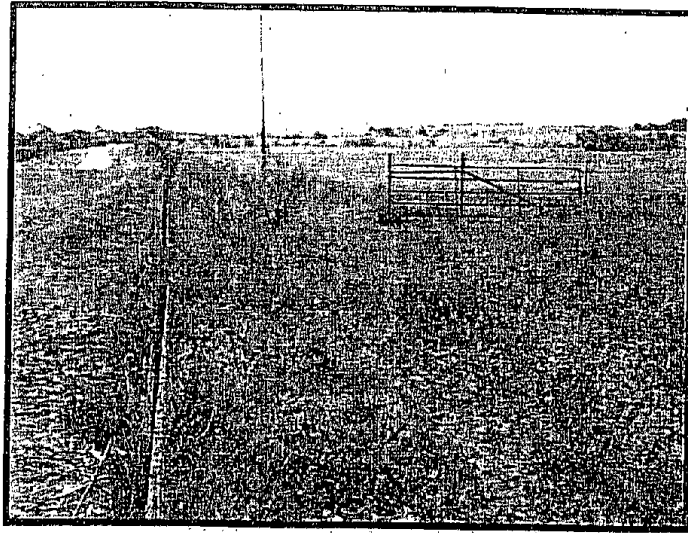


Figure 3. North boundary fence along FM 1744 looking east

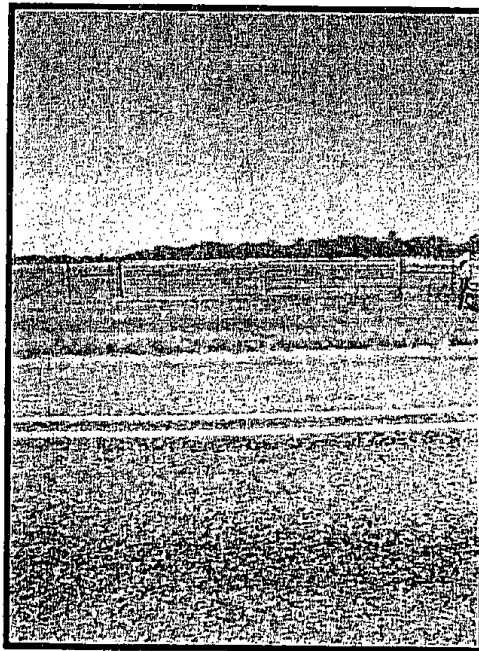


Figure 4. Access gates to property on North side of FM 1744

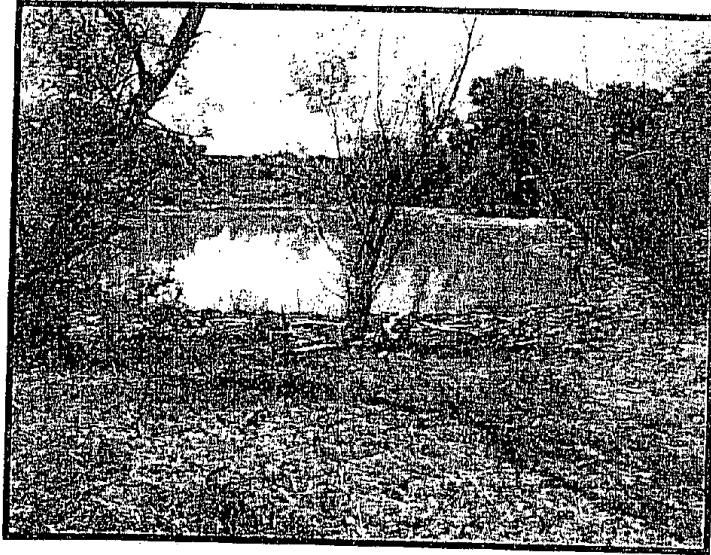


Figure 5. Small pond on property.

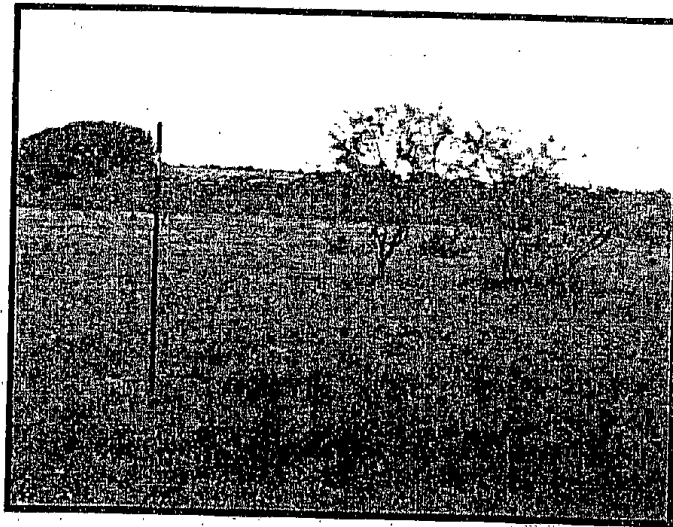


Figure 9. Looking South over shallow ecological site.

GRP Inventory Map

Date: 6/1/2011

Customer(s): STEVEN WATSON & SONS INC
 District: HAMILTON SOIL & WATER CONSERVATION DISTRICT
 Approximate Acres: 475 ac

Field Office: HAMILTON SERVICE CENTER
 Agency: USDA-NRCS
 Assisted By: JOSHUA BAUMAN
 State and County: TX, HAMILTON



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EXHIBIT C - WATER RIGHTS
GRASSLAND RESERVE PROGRAM CONSERVATION EASEMENT
Steven Watson & Sons, Inc.
Contract No. 83-7442-10-011FC

None

CLERK'S NOTICE: ANY PROVISION HEREIN WHICH RESTRICTS THE SALE, RENTAL OR USE OF THE DESCRIBED REAL PROPERTY BECAUSE OF COLOR OR RACE, IS INVALID AND UNENFORCEABLE UNDER FEDERAL LAW.

FILED

STATE OF TEXAS

COUNTY OF HAMILTON

I hereby certify that this instrument was FILED on the date and at the time stamped hereon by me and was duly RECORDED in the REAL PROPERTY Records of Hamilton County, Texas.

AT 12:15 O'CLOCK P M
ON THE 1st DAY OF SEPT

A.D., 2011

Debbie Rudolph
Debbie Rudolph
COUNTY CLERK, HAMILTON CO., TEXAS



Anna S. [Signature]
County Clerk, Hamilton County, Texas

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BY _____
DEPUTY

RECORDED

09-02-2011