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The Nature Conservancy
Attn: Legal Department
P.O. Box 1440
San Antonio, TX 78295-1440

CONSERVATION EASEMENT

STATE OF TEXAS §
COUNTY OF KENDALL §

GRANT OF CONSERVATION EASEMENT

This Grant of Conservation Easement ("Conservation Easement") is made on this 28th day of December, 2007, by Chris A. Hale and Janet Riola Hale, husband and wife, with an address of 3402 Westledge Cir., Austin, TX 78731 (collectively referred to herein as "Grantor"), and THE NATURE CONSERVANCY, a non-profit corporation organized and existing under the laws of the District of Columbia, with a local address of P.O. Box 1440, San Antonio, Texas 78295, ("Grantee").

R E C I T A L S:

A. Protected Property. Grantor is the sole owner in fee simple of the property ("Property") legally described in Exhibit A, attached hereto and incorporated by this reference, which consists of approximately 665.7 acres located in Kendall County, State of Texas and is generally known as Norco Ranch.

B. Conservation Values. The Property possesses significant natural, ecological, and aesthetic values for conservation purposes (collectively, the "Conservation Values"), which this Conservation Easement is designed to protect in perpetuity, and which are of importance to Grantor and Grantee, to the people of the county or counties in which the Property is located, and to the people of the State of Texas. These Conservation Values include, but are not necessarily limited to, natural resource, ecological, and scientific values, including habitats essential to maintaining various natural communities of plant and animal species representative of the Edwards Plateau of Central Texas, as well as scenic and open space values.

The Property lies within the Guadalupe/San Antonio Rivers Drainages, a biologically important conservation area identified by the Conservancy in its Blanco River Conservation Plan Area. The Blanco River conservation area spans 114,063 ha. (281,846 ac.) in the Edwards Plateau ecoregion. The conservation area overlaps at least part of six aquatic or terrestrial conservation areas identified as biodiversity hot spots in the ecoregional plan. The Blanco River (which sits atop the Trinity Aquifer) has few major tributaries and lies in a fairly

undeveloped basin; as such, it is one of Texas' more pristine river systems. The Blanco River has its headwaters at springs in Kendall County, and then flows through Blanco and Hays counties to end at the San Marcos River. This 140-kilometer (87-mile) river supports a breathtaking array of aquatic and terrestrial life. Water from the Blanco ultimately reaches the Guadalupe River and the Gulf of Mexico. Its influence is seen for hundreds of miles, all the way to our coastal estuaries. The Guadalupe/San Antonio Rivers Drainages require immediate conservation attention because of threats of residential and commercial development; overabundant wild ungulates; unsustainable groundwater and surface water withdrawal; soil erosion and run-off; invasion of exotic plant and animal species; and ecologically incompatible land management. The protection of the Property will also help to support many plant and animal species which are dependent on the water sources, nesting habitat, and food sources found on the Property; and will help to ensure that this area and its existing features will continue to be available for its natural habitat values. The larger intact habitat found on this Property allows larger healthier populations of species to persist and increase the chance of their survival over time. According to the U.S. Department of Agriculture, Texas leads all other states in the loss of rural agricultural lands. (Fragmented Lands: Changing Land Ownership in Texas, Agricultural Communications, Texas A&M University, 2000). The preservation of a ranch of this large size along the Blanco River will preserve valuable open space and reduce land fragmentation in this rapidly developing area. Some of the natural systems to be protected that are well represented in the Property include, without limitation: approximately one mile of Blanco River frontage; numerous springs, riparian sinkholes, and shinneries, and populations of rare plants species including spreading least-daisy (*Chaetopappa effusa*), Texas fescue (*Festuca versuta*), Heller's marbleseed (*Onosmodium helleri*), and Hill County wild-mercury (*Argythamnia aphoroides*)(which plant species are on Grantee's list of the rarest plant species of Texas, the latter of which is known from only about 25 populations), and aquatic species including Guadalupe bass (*Micropterus treculii*), Blanco River salamander (*Eurycea pterophila*), Edwards Plateau Springs salamander (*Eurycea neotenes*), and Cagle's map turtle (*Graptemys caglei*). This Conservation Easement also seeks to protect the quantity and quality of water resources by maintaining buffers within the vicinity of these water resources. The Property contains habitat for at least one species which is designated endangered under the Endangered Species Act (black-capped vireo) as documented by studies done by both Grantee and by Environmental Defense. Land adjacent to the Property has contiguous vireo habitat and has been accepted pursuant to the Cooperative Endangered Species Conservation Fund (Section 6, ESA) for a Recovery Land Acquisition Grant. Habitat is protected pursuant to this Conservation Easement by placing significant restrictions on the amount of development allowed.

The parties intend that this Conservation Easement provide significant public benefit as defined in Treas. Reg. §1.170(A)-14(d)(4). The Property is a natural area which qualifies as a "relatively natural habitat of fish, wildlife, or plants, or similar ecosystem", as that phrase is used in §170(h)(4)(A)(ii) of the Internal Revenue Code of 1986 (as amended). The Conservation Values also include the significant public benefit of preserving open space from development and providing protection for scenic qualities unique to the area. The Property provides scenic views of undeveloped Hill Country topography for the public from Highway FM1888, including almost one mile of a ridgeline which is fully visible to the public traveling along FM1888, and on which the construction of buildings is totally prohibited by this Conservation Easement. The Property is preserved pursuant to a clearly delineated federal, state, or local conservation policy and yields

a significant public benefit. Legislation, regulations, and policy statements that establish relevant public policy include, but are not limited to the following:

- 1) Conservation easements, as stipulated in the Texas Natural Resources Code, § 183.001(1) *et. seq.*;
- 2) Protection of wild animals as property of the State of Texas as stipulated in the Texas Parks and Wildlife Code, §1.011 *et seq.*;
- 3) Conservation of water resources as stipulated in the Texas Water Code §1.003 *et seq.*;
- 4) The protection of “qualified open space” and the promotion of wildlife management activities under Article 8, Section 1-d-1 of the Texas Constitution and the Texas Property Tax Code, Title 1, Section 23.51(1); and specific to the Property’s location, various public and governmental planning groups have placed high priority on protecting scenic views in an undeveloped condition in order to maintain the area as a tourist destination, including a specific highlighted role of FM1888 as emblematic of the Texas Hill Country and its importance as an artery for tourists visiting historic Luckenbach and Fredericksburg.

C. Easement Documentation Report. The characteristics of the Property, its current use and state of improvement, are described in a report entitled Easement Documentation Report of Norco Ranch, dated December 28, 2007, mutually agreed upon by the parties, prepared by Grantee for Grantor, and signed and acknowledged by both parties. Grantor worked with Grantee to ensure that the report is a complete and accurate description of the Property as of the date of this Conservation Easement. It establishes the baseline condition of the Property as of the Effective Date and includes reports, maps, photographs and other documentation.

D. Grantor and Grantee have the common purpose of conserving the above-described conservation values of the Property in perpetuity, and the State of Texas has authorized the creation of Conservation Easements pursuant to Chapter 183 of the Texas Natural Resources Code, TEX. NAT. RES. CODE ANN. §§ 183.001, *et. seq.*, and Grantor and Grantee wish to avail themselves of the provisions of that law.

NOW, THEREFORE, Grantor, for and in consideration of the facts recited above and of the mutual covenants, terms, conditions and restrictions contained herein and as an absolute and unconditional gift, hereby gives, grants, bargains, sells and conveys unto Grantee a Conservation Easement in perpetuity over the Property of the nature and character as follows:

1. **PURPOSE.** The purpose of this Conservation Easement is to ensure that the Property will be retained forever predominantly in its natural and scenic condition; to protect native plants, animals, or plant communities on the Property; to prevent any use of the Property that will significantly impair or interfere with the Conservation Values and any significant conservation interests, while allowing for traditional uses on the Property that are compatible with and not destructive of the Conservation Values, such as limited residential construction,

limited recreation (including hunting), and certain ranching and farming activities, all subject to the terms of this Conservation Easement.

Grantor will not perform, nor knowingly allow others to perform, any act on or affecting the Property that is inconsistent with the purposes of this Conservation Easement. However, unless otherwise specified below, nothing in this Conservation Easement shall require Grantor to take any action to restore the condition of the Property after any act of God or other event over which Grantor had no control. Grantor understands that nothing in this Conservation Easement relieves them of any obligation or restriction on the use of the Property imposed by law.

2. **PROPERTY USES.** Any activity on or use of the Property inconsistent with the purposes of this Conservation Easement is prohibited. Without limiting the generality of the foregoing, the following is a listing of activities and uses which are expressly prohibited or which are expressly allowed. Additional retained rights of Grantor are set forth in Section 3 below.

2.1 **Subdivision.** The Property may be divided, partitioned, subdivided, or conveyed by Grantor from time to time into no more than three (3) tracts, after which the Property shall not be further divided, subdivided or partitioned. Each of the three tracts may be separately owned. Each tract shall be a minimum of ninety (90) acres in size. Whenever a subdivided tract is created or designated, the tract designation shall include: (i) the boundaries of the subdivided tract; and (ii) any Residential Area authorized pursuant to Section 2.2(b)(1), and residences authorized pursuant to Section 2.2(c), that will be assigned to that tract and, if known, the location of the Residential Area and residences. The tract designation (by division, partition, subdivision or conveyance) shall become effective upon recording in the Kendall County Real Property Records, with a recorded copy to the Grantees. Once a tract has been created or designated, the boundaries of the tract shall not change unless the change is approved in writing by the Grantee. Each of these tracts, and the entire Property, shall continue to be bound by and subject to this Conservation Easement

2.2 **Construction.** Any and all construction on the Property shall comply with the provisions of this Section.

(a) **Impervious Cover Limit.** Notwithstanding anything to the contrary in this Conservation Easement, no more than two percent (2%) of the Property (inclusive of the existing improvements) may have an impervious cover. As used herein, "impervious cover" means and includes all improvements or materials that are impermeable as to water which in any way cover or are placed above the natural surface of the land (specifically excluding any natural condition of the Property). Examples of impervious cover include, without limitation, roof tops and roads or driveways improved with pavement, concrete, asphalt, caliche soil consisting primarily of clay or any other forms of paving. Examples of pervious cover that shall not be counted against this impervious cover limitation include, without

limitation, permeable decks, gravel, crushed rock, porous paving materials, rock base or clean soil. The impervious cover limit set forth in this Section 2.2(a) shall be pro rata apportioned among any tracts resulting from the division, partition, subdivision, or conveyance of the Property under Section 2.1 above on an acreage basis, unless another method of apportionment is agreed to by Grantor and Grantee.

(b) No Development Zones. No construction shall occur and no improvements may be located in any "No Development Zone" as shown on the map attached hereto as Exhibit B and incorporated herein by reference, except as follows:

(1) Residential Area. The Grantor may, with the approval of the Grantee, designate one Residential Area, no greater than five acres in size, within one of the two Potential Development Areas located in the No Development Zone and identified on attached Exhibit B. Prior to the initiation of any construction or development, the Grantor shall provide written notice to the Grantee of the proposed location and configuration of the Residential Area and shall obtain the written approval of Grantee, which shall not be unreasonably withheld based upon Grantee's evaluation to ensure that the location is consistent with, and does not significantly impair or interfere with, Conservation Values and other significant conservation interests. Once designated and approved, the boundaries of the Residential Area shall not change without the approval of the Grantee. The Residential Area may contain the following improvements: (i) one residence; and (ii) up to two attendant guest houses; and (iii) outbuildings such as a garage or shed; and (iv) ancillary improvements such roads, driveways, utilities, wells, and septic systems necessary to serve permitted buildings and structures and (v) other improvements necessary for ranching, recreational uses, or other permitted uses of the Property. All buildings and improvements shall be located within the Residential Area, except that access roads and utilities may extend beyond the Residential Area and through the No Development Zone as necessary to connect the Residential Area with public roads and major utility lines. The permitted residence, guesthouses, outbuildings, and improvements may be constructed, maintained, remodeled, rebuilt, enlarged, removed and replaced subject to Section 2.2(a) and all other applicable provisions of this Conservation Easement. Septic systems and leach fields shall meet county codes and other applicable laws and shall not be built or installed within 200 feet of the Blanco River or within 200 feet of any surface waters or flowing streams. Grantor may elect, with written notice to Grantee, to construct the residence and all other improvements permitted herein, in an area outside of the No Development Zone. Upon such election, construction shall be governed by Section 2.2(c)(1) as an additional residence permitted under that section.

(2) Existing Improvements. The existing roads and goat shed may be maintained, repaired, remodeled and replaced in accordance with Section 2.3 of this Conservation Easement.

(3) Additional Minor Improvements: Minor improvements may be constructed, but only to the extent that such improvements and construction do not impair or interfere with the Conservation Values or impair or destroy any other significant conservation interest. Minor improvements include, and are limited to, fences, corrals, pens, water wells, wind mills, hunting blinds, water tanks and troughs, roadways, and other improvements related to the activities permitted by this Conservation Easement. No billboards (as distinguished from an "on-premise sign" as defined by Section 394.001, Texas Transportation Code), cell phone towers, wind turbines, new above-ground utility lines and poles (other than those above or below ground lines and poles necessary to service the Property's permitted improvements) may be constructed on the Property.

(c) Development Outside of the No Development Zone The following construction is permitted on that portion of the Property outside of the No Development Zone:

(1) Residences. Three additional residences, including the two existing residences located as shown on Exhibit B, may be located outside of the No Development Zone. The following buildings and improvements may be constructed in conjunction with each residence: (i) up to two attendant guest houses; and (ii) outbuildings such as a garage or shed; and (iii) ancillary improvements such as roads, driveways, utilities, wells, and septic systems necessary to serve the permitted buildings and structures. These residences, guest houses, outbuildings and authorized improvements may be constructed, maintained, remodeled, rebuilt, enlarged, or removed and replaced. Existing septic systems may be replaced in their current locations. Any new septic systems shall not be built within 200 feet of the Blanco River or any surface waters or flowing streams. The approval of the Grantee is not required prior to any construction authorized pursuant to this provision; however, the Grantor shall comply with Sections 2(a), 2(d), and 2(e), and all other applicable provisions of this Conservation Easement in siting and undertaking any new construction.

(2) Agricultural Improvements. Livestock facilities, barns, stables and farm sheds may be constructed, but only in locations where Conservation Values and other significant conservation interests will not be impaired or interfered with.

(3) **Minor Improvements.** Minor improvements may be constructed, but only to the extent that such improvements and construction do not impair or interfere with the Conservation Values or impair or interfere with any other significant conservation interest. Minor improvements include, and are limited to, fences, corrals, pens, water wells, wind mills, hunting blinds, water tanks and troughs, roadways, and other improvements related to the activities permitted by this Conservation Easement. No billboards (as distinguished from an "on-premise sign" as defined by Section 394.001, Texas Transportation Code), cell phone towers, wind turbines, new above-ground utility lines and poles (other than those above or below ground lines and poles necessary to service the Property's permitted improvements) may be constructed on the Property.

(d) **Location of Construction.** Grantor agrees to use reasonable efforts to site any new construction in such a manner to take advantage of existing trees, access to utilities, water, public roads and existing drainages, but also as to minimize disturbance to the Conservation Values and other significant conservation interests and to minimize the impact on the public's scenic views from highway FM1888. The location and design of the new construction shall be selected by Grantor with such criteria in mind and shall not significantly impair or interfere with the Conservation Values or impair or destroy any other significant conservation interests. Any new construction situated within the Residential Area approved by the Grantee pursuant to Section 2.2(b)(1) above and otherwise meeting the specific requirements for improvements set forth herein shall not be deemed to be a significant impairment and/or interference with the Conservation Values. No new residences, guest houses, barns, stables or sheds or other buildings shall be constructed above an elevation contour line of 1,725 feet (1,725') in a location that is visible from highway FM1888.

(e) **Preservation of Conservation Values.** Grantor shall at all times use best efforts and practices in the construction of improvements to minimize impact on the Conservation Values and other significant conservation interests.

(f) **No Other Construction.** Except as expressly set forth in this Section 2.2 or elsewhere in this Conservation Easement, no other structures or improvements may be placed or constructed on the Property.

2.3 **Existing Improvements.** Grantor shall have the right to maintain, remodel, and repair structures, water tanks, fences, corrals, water wells, header dams, utilities, and other improvements existing on the Property on the date of this Conservation Easement. In the event of their destruction, Grantor shall have the right to reconstruct any such existing improvement with another of similar size, function, capacity, location and material; provided, however, that this Section shall not prohibit construction which is expressly authorized pursuant to other provisions of the Conservation Easement.

2.4 Extraction of Minerals and Other Materials. Removal and extraction of minerals may be accomplished only by methods that will have a limited and localized impact on, and will not significantly impair or interfere with, the Conservation Values, other significant conservation interests, and the purposes of this easement. Without limiting the generality of the foregoing, minerals shall not be removed by any surface mining methods. Sand, gravel, caliche, and limestone may not be removed by surface or sub-surface mining. The Grantor (including any lessees or extractors) shall at all times use best efforts and practices to prevent damage or impairment of natural values and shall restore any area damaged to its original condition. All sub-surface drilling or pumping facilities must be concealed or otherwise located so as to be compatible with existing topography and landscape to the greatest extent practical. Grantee must be given written notice of any actual or proposed extraction of minerals forty-five (45) days prior to entering into any contract or lease, and, if no such contract or lease, prior to beginning any work. Grantor shall, prior to entering into any contract or lease (or prior to beginning any work if there is no contract or lease), consult with Grantee and incorporate conditions or restrictions as Grantee may reasonably determine are required in order to prevent a significant impairment or interference with the Conservation Values or any other significant conservation interests (such as prohibiting any activity in the No Development Zone and limiting the location and number of any well, pipeline, road or other infrastructure). Grantor represents that no mineral conveyances or leases affecting the Property have been made, other than the expired mineral interest which was reserved in a deed dated September 17, 1982 and recorded in Volume 148 Page 791 in the Kendall County, Texas Deed Records, covering only 332.5 acres of the Property, and Grantor represents and warrants that there was no production of minerals at any time subsequent to the date of that deed. Any and all future mineral conveyances and mineral leases shall be bound by the provisions hereof.

In the event all or part of the minerals are owned by third parties as of the date of the grant of this Conservation Easement, Grantee acknowledges that this Conservation Easement is subordinate to such mineral ownership rights. However, whenever such third party mineral owners are required by applicable law or pursuant to any existing or future contract to obtain any consent from Grantor with respect to any access to or physical alteration of or improvement to the Property, Grantor shall, prior to giving any such consent, consult with Grantee and use its best efforts to incorporate conditions or restrictions on such consent as Grantee may reasonably determine are required in order to prevent an impairment or interference with the Conservation Values or other significant conservation interests (such as prohibiting any activity in the No Development Zone and limiting the location and number of any well, pipeline, road or other infrastructure).

2.5 Agricultural Use. Grantor shall have the right i) to breed and raise bees, poultry and other fowl in existing facilities on the Property; ii) to plant, raise and harvest crops only in existing fields on the Property which are expressly identified on Exhibit B attached hereto (the "Existing Fields"); and iii) to perform primary processing, store and sell, including direct sales to the public, of crops and products (excluding timber) harvested and produced principally on the Property. There shall be no plowing outside of the Existing Fields.

2.6 Timber Harvest. Grantor shall have the right to harvest timber from the Property in order to provide firewood for residences allowed on the Property and for maintaining allowed structures and improvements on the Property, such as residences, barn, corrals, fences, roads, etc. No additional timber harvesting shall be allowed, except as authorized pursuant to Section 2.11 and Section 3.3 of this Conservation Easement.

2.7 Grazing. Grantor shall have the right to graze and pasture cattle, horses, mules, and donkeys on the Existing Fields. In addition, Grantor shall have the right to graze and pasture cattle, horses, mules and donkeys on the Property outside of Existing Fields except that (i) grazing within a 40 meter wide buffer centered on Blanco River, is prohibited; and (ii) grazing may occur outside of the Existing Fields only to the extent that is consistent with, and does not significantly impair or interfere with, the Conservation Values and other significant conservation interests. If at any time Grantee believes, in its reasonable discretion, that such grazing outside of Existing Fields is being done in a way that impairs or interferes with Conservation Values or other significant conservation interests, then Grantee may obligate Grantor, by written notice to Grantor, to continue such grazing only pursuant to a grazing plan prepared and/or approved by (a) the USDA Natural Resource Conservation Service, or its successors, or (b) a range management specialist approved by Grantee, that is designed to ensure the maintenance of a plant community representative of native Central Texas savannah while protecting soil stability, water quality, and other Conservation Values. The Grazing Plan shall be updated at least every five (5) years. Grantor shall have the right to graze and pasture other types of animals only in the Existing Fields and only if Grantee consents to such animal types in writing (which consent will only be withheld by Grantee if, in its reasonable determination, grazing by such animal types would impair or interfere with the Conservation Values or any other significant conservation interests).

Grantor may not establish or maintain any commercial feedlot on the Property, which is defined for the purpose of this easement as a confined area or facility within which the land is not grazed or cropped at least annually and which is used to receive livestock that has been raised off the Property for feeding and fattening for market.

2.8 Home Businesses. Any business that is conducted by, and in the home of, a person residing on the Property, is allowed.

2.9 Recreational Uses. Grantor shall have the right to engage in and permit others to engage in recreational uses of the Property, including, without limitation, hunting and fishing, that require no surface alteration or other development of the land; provided, however, recreational uses are allowable if they result in only minimal surface alteration with no impairment of or interference with Conservation Values. Grantor may charge a fee to others in connection with authorized recreational uses. Grantor agrees to an annual good faith effort to harvest antlerless whitetail deer at a rate prescribed by general or ranch-specific harvest recommendations prepared or approved by Texas Parks and Wildlife Department or its successors. So long as Conservation Values and other significant conservation interests are not impaired or interfered with, Grantor is expressly

permitted the recreational pursuit of archeology, even though it results in temporary surface alteration of the land, but only if it is compatible with existing topography and any surface alteration is restored to its original state.

2.10 Excavation. Except as necessary to accommodate the activities expressly permitted under this Conservation Easement, there shall be no ditching, draining, diking, filling, excavating, dredging, removal of topsoil, sand, gravel, rock, minerals or other materials, nor any change in the topography of the Property. Notwithstanding the foregoing, nothing in this section shall be deemed to authorize surface mining of minerals or any other activity expressly prohibited elsewhere in this Conservation Easement. In no event shall there be removal of gravel or rock from the Blanco River.

2.11 Destruction of Plants, Disturbance of Natural Habitat. Grantor shall have the right to cut and remove diseased or exotic trees, shrubs, or plants, and to cut firebreaks, subject to the prior approval of Grantee, except that such approval shall not be required in case of emergency firebreaks. Subject to the prior approval of Grantee, Grantor shall have the right to cut and remove native trees, shrubs, or plants in order to enhance the Conservation Values, so long as other significant conservation interests are not impaired or interfered with. Grantor shall also have the right to cut and remove trees, shrubs or plants to accommodate the activities expressly permitted under this easement but only to the extent such cutting and removal does not impair or interfere with the Conservation Values and other significant conservation interests. There shall be no additional removal, harvesting, destruction or cutting of native trees, shrubs or plants, except as authorized pursuant to Section 2.6 and Section 3.3 of this Conservation Easement.

Except for use around improvements or in gardens around the residences, and except in connection with agricultural activities authorized pursuant to Section 2.5 of this Conservation Easement, there shall be no planting of non-native trees, shrubs or plants on the Property. Except to accommodate the activities expressly permitted under this Conservation Easement there shall be no disturbance or change in the natural habitat in any manner.

2.12 Hydrology. Other than the construction of wells to serve existing and new improvements authorized under this Conservation Easement there shall be no alteration, depletion or extraction of surface water, natural water courses, lakes, ponds, marshes, subsurface water or any other water bodies on the Property. Without limiting the generality of the foregoing, no new water impounding structures, such as dams or low water crossings, are allowed on the Blanco River, its tributaries, springs, or seeps; provided, however, Grantor has the right to construct 1) in addition to the existing dam, one new, all-stone (i.e., stone blocks must be small enough to be put in place by hand only) dam, less than three feet (3') high on the Blanco River; and 2) one new stock tank, not to exceed 2 surface areas in size, but only within the Area indicated for such purpose on Exhibit B of this Conservation Easement

2.13 No Chemicals. No pesticides or biocides, (including but not limited to insecticides, fungicides, rodenticides, and herbicides) or fertilizer shall be used on

the Property except in the Existing Fields or around the residences and associated buildings or as approved by Grantee in writing. Notwithstanding the foregoing, no pesticides, biocides or fertilizer shall be used within two hundred (200) feet of the Blanco River, or any surface waters or springs, flowing streams, and tributaries, unless approved in writing by Grantee.

2.14 No Dumping. Except for the burning of household trash in burn pits within the Residential Area and adjacent to permitted residences, there shall be no storage or dumping of trash, garbage, or other unsightly or offensive material, hazardous substance, or toxic waste, nor any placement of underground storage tanks in, on, or under the Property; there shall be no changing of the topography through the placing of soil or other substance or material such as land fill or dredging spoils, nor shall activities be conducted on the Property, or on any adjacent property owned by the Grantor, that could cause erosion or siltation on the Property.

2.15 No Pollution. There shall be no pollution of surface water, natural water courses, lakes, ponds, marshes, subsurface water or any other water bodies, nor shall activities be conducted on the Property that would be detrimental to water purity or that could alter the natural water level or flow in or over the Property.

2.16 Animals/Predator Control. There shall be no livestock, no domestic pets and no introduction of non-native animals on the Property except that Grantor shall have the right to keep livestock and domestic pets within the Residential Area and residences and to graze animals in accordance with Section 2.7 of this Conservation Easement.

Grantor shall have the right to control, destroy, or trap predatory and problem animals which pose a material threat to livestock, humans, and/or the Conservation Values.

2.17 Commercial Development. Any commercial or industrial use of or activity on the Property, other than those relating to agriculture, recreational, home businesses or mineral extraction as permitted herein is prohibited.

2.18 Density. Neither the Property nor any portion of it shall be included as part of the gross area of other property not subject to this Conservation Easement for the purposes of determining density, lot coverage, or open space requirements under otherwise applicable laws, regulations or ordinances controlling land use and building density. No development rights that have been encumbered or extinguished by this Conservation Easement shall be transferred to any other lands pursuant to a transferable development rights, scheme cluster development arrangement or otherwise; provided, however, that with prior written permission of Grantee, this paragraph shall not preclude such transfer of development rights resulting from the destruction or demolition of any existing residential building on the Property.

3. **ADDITIONAL RIGHTS RETAINED BY GRANTOR.** Grantor retains the following additional rights:

- 3.1 Existing Uses. The right to undertake or continue any activity or use of the Property not prohibited by this Conservation Easement. Prior to making any change in use of the Property, Grantor shall notify Grantee in writing to allow Grantee a reasonable opportunity to determine whether such change would violate the terms of this Conservation Easement.
- 3.2 Transfer. The right to sell, give, mortgage, lease, or otherwise convey the Property and easements, subject to the terms of this Conservation Easement.
- 3.3 Habitat Restoration and Enhancement. With the prior written approval of Grantee, the right to restore and enhance native plant and wildlife habitat, consistent with approved wildlife management and soil conservation practices and all applicable laws and regulations governing such practices.

4. **NOTICE OF EXERCISE OF GRANTOR'S RESERVED OR RETAINED RIGHTS.** Grantor hereby agrees to notify Grantee in writing fifteen (15) days before exercising any reserved or retained right under this easement that may have an adverse impact on the Conservation Values (unless a different time period is otherwise expressly required in this easement).

5. **GRANTEE'S RIGHTS.** To accomplish the purpose of this Conservation Easement, the following rights are granted to Grantee by this Conservation Easement:

5.1 Right to Enforce. The right to preserve and protect the Conservation Values and enforce the terms of this Conservation Easement.

5.2 Right of Entry.

(a) The right of Grantee to enter the Property at reasonable times for the purposes of (i) inspecting the Property to determine if there is compliance with the terms of the Conservation Easement, and (ii) obtaining evidence for the purpose of seeking judicial enforcement of this easement. Grantee agrees that this entry will be done in a manner that will not interfere unreasonably with Grantor's permitted uses of the Property. Grantee also agrees to provide advance written notice to Grantor prior to entering the Property, except in any case where immediate entry is necessary or desirable to prevent, terminate, or mitigate damage to, or the destruction of, the Conservation Values, or to prevent, terminate or mitigate a violation of the terms of this easement.

(b) The right of Grantee's staff, contractors and associated natural resource management professionals to enter the Property at least two (2) times per year at a mutually convenient time (with any additional visits requiring Grantor's consent) for the purposes of: (i) ecological monitoring, biological surveys, inventories and

research as described below, and (ii) management of exotic and invasive plants. This right of entry shall be done in a manner as will not disturb the quiet enjoyment of the Property by Grantor.

5.3 Monitoring and Research. The right, but not the obligation, to monitor the plant and wildlife populations, plant communities and natural habitats on the Property. Grantor shall cooperate with Grantee in establishing, at no expense to Grantor, a written Monitoring and Research Plan to direct the monitoring of and research on plant and wildlife populations, plant communities and natural habitats on the Property. Grantor agrees that all monitoring activity, natural resource inventory and assessment work or other natural resource research, conducted by Grantor or others, shall be reported to Grantee.

5.4 Management of Exotics and Invasive Species. The right, but not the obligation, to control, manage or destroy exotic non-native species or invasive species of plants and animals that threaten the Conservation Values. Grantee will consult with Grantor prior to implementing management activities.

6. **RESPONSIBILITIES OF GRANTOR AND GRANTEE NOT AFFECTED.** Other than as specified herein, this Conservation Easement is not intended to impose any legal or other responsibility on Grantor, or in any way to affect any existing obligation of Grantor as owners of the Property. Among other things, this shall apply to:

(a) *Taxes* - Grantor shall be solely responsible for payment of all taxes and assessments levied against the Property.

(b) *Upkeep and Maintenance* - Grantor shall be solely responsible for the upkeep and maintenance of the Property, to the extent it may be required by law. Grantee shall have no obligation for the upkeep or maintenance of the Property.

(c) *CERCLA.* Nothing contained herein shall give rise, in the absence of a judicial decree, to any right or ability of Grantee to become the operator of the Property within the meaning of the Comprehensive Environmental Response, Compensation and Liability Act by exercising physical control over the day-to-day operations of the Grantor or becoming involved in management decisions of the Grantor regarding the generation, handling or disposal of hazardous substances.

7. **ACCESS.**

7.1 Public Access. No right of access by the general public to any portion of the Property is conveyed by this Conservation Easement. However, the public has the right to view the Property from adjacent publicly accessible areas such as public roads and waterways.

7.2 Grantee's Access to the Property. Without limiting the generality of the grant of this Conservation Easement to Grantee, Grantor expressly conveys and assigns to the Grantee

the rights of ingress and egress to the Property as an assignee of a partial interest in the Property solely as an easement holder by virtue of the grant of this Conservation Easement. The Grantee shall have rights of ingress and egress to any of the tracts described in Section 2.1 of this Conservation Easement over and across any other tract so authorized and described.

8. **EASEMENT ENFORCEMENT.** Grantee shall have the right to prevent and correct violations of the terms of this Conservation Easement. The following provisions shall be applicable to enforcement of this Conservation Easement:

(a) **Notice of Violation.** If Grantee becomes aware that a violation of the terms of this Conservation Easement has occurred or is threatened to occur, Grantee may at its discretion take appropriate legal action. Except when an ongoing or imminent violation could substantially diminish or impair the Conservation Values, Grantee shall give a written notice of the violation to Grantor.

(b) **Corrective Action.** Upon the giving of a notice of violation, Grantor shall promptly commence, and thereafter diligently pursue to completion, corrective action sufficient to cure the violation (if there is a violation) and, where the violation involves injury to the Property, to restore the portion of the Property so injured.

(c) **Default.** Grantor shall be in default of this Conservation Easement if it fails to so cure the violation within sixty (60) days after the notice of violation is given; provided that, if more than sixty (60) days is reasonably required for the corrective action, then, if Grantor promptly begins the corrective action within such sixty (60) day period, no default shall exist as to the violation for so long thereafter as Grantor is diligently pursuing such cure to completion. The fact that a default does not exist under the foregoing provisions shall in no event, however, absolve Grantor from any liability under this Conservation Easement with respect to the violation.

(d) **Remedies.** In the event of a violation, Grantee shall have all remedies available at law or in equity to enforce the terms of this Conservation Easement, including (but not limited to) the right to: (i) seek a temporary or permanent injunction with respect to any activity causing a violation; (ii) force the restoration of that portion of the Property affected by the violation to a condition similar or equivalent to the condition that existed prior to the violation, by restoring soils, replanting suitable domestic vegetation, or taking such other action as is reasonably necessary to achieve such restoration; and (iii) recover any additional damages arising from the violation; provided, however, that, except in the event of emergency enforcement, Grantee shall not enforce its rights under clauses (i) or (ii) above after the giving of a notice of violation until such time as a default exists under the foregoing provisions. The foregoing remedies shall be cumulative and shall be in addition to all other remedies existing at law or in equity with respect to the violation.

(e) **Costs of Enforcement.** In any action, suit or other proceeding undertaken to enforce any right or obligation under this Conservation Easement, or to interpret any of the provisions of this Conservation Easement, the prevailing party shall be entitled to recover from

the non-prevailing party the costs and expenses of such proceeding, including (but not limited to) the court costs and attorneys' fees and expenses incurred by the prevailing party (whether incurred at the trial, appellate, or administrative level), in such amount as the court or administrative body may judge reasonable, all of which may be incorporated into and be a part of any judgment or decision rendered in such action, suit or other proceeding.

(f) Emergency Enforcement. The foregoing provisions notwithstanding, if Grantee reasonably determines that a violation has occurred or is about to occur and circumstances require immediate action to prevent, terminate, or mitigate significant damage to or the destruction of any of the Conservation Values, or to prevent, terminate, or mitigate a significant violation of a material term of this Conservation Easement, such party may give a notice of violation to the extent reasonably practicable under the circumstances (which may be given orally in such cases or not at all depending on the circumstances) and Grantee may then pursue its remedies under this Conservation Easement without waiting for the period to cure the violation which is provided for above.

(g) Discretion. The failure of Grantee to discover a violation or to take action under this Conservation Easement with respect to a violation shall not bar it from doing so at a later time, and shall not be deemed or construed to be a waiver of Grantee's rights in the event of any subsequent occurrence of that or any other violation

9. **TRANSFER OF EASEMENT.** The parties recognize and agree that the benefits of this easement are in gross and assignable. Grantee shall have the right to transfer or assign this Conservation Easement to any private nonprofit organization that at the time of transfer, is a "qualified organization" under Section 170(h) of the U.S. Internal Revenue Code, and the organization expressly agrees to assume the responsibility imposed on Grantee by this Conservation Easement. If Grantee ever ceases to exist or no longer qualifies under Sec. 170(h) or applicable state law, a court with jurisdiction shall transfer this easement to another qualified organization having similar purposes that agrees to assume the responsibility.

10. **TRANSFER OF PROPERTY.** Any time the Property, or any interest therein, is transferred by Grantor to any third party, Grantor shall notify Grantee in writing at least thirty (30) days prior to the transfer of the Property, and the document of conveyance shall expressly refer to this Conservation Easement.

11. **AMENDMENT OF EASEMENT.** This Conservation Easement may be amended only with the written consent of Grantor and Grantee. Any such amendment shall be consistent with the purposes of this Conservation Easement and shall comply with Sec. 170(h) of the Internal Revenue Code, or any regulations promulgated in accordance with that section. Any such amendment shall also be consistent with Chapter 183 of the Texas Natural Resources Code, or any regulations promulgated pursuant to that law. Grantor and Grantee have no right or power to agree to any amendment that would affect the enforceability of this Conservation Easement

12. **TERMINATION OF EASEMENT.** If it is determined that conditions on or surrounding the Property have changed so much that it is impossible to fulfill the conservation

purposes set forth above, a court with jurisdiction may, at the joint request of both Grantor and Grantee, terminate this Conservation Easement.

If condemnation of a part of the Property or of the entire Property by public authority renders it impossible to fulfill any of these conservation purposes, the Conservation Easement may be terminated through condemnation proceedings.

At the time of the conveyance of this Conservation Easement to Grantee, this Conservation Easement gives rise to a real property right, immediately vested in Grantee. If the easement is terminated and the Property is sold or taken for public use, then, as required by Sec. 1.170A-14(g)(6) of the Internal Revenue Service, Department of the Treasury Regulations, Grantee shall be entitled to a percentage of the gross sale proceeds or condemnation award (minus any amount attributable to new improvements made after the date of this conveyance, which amount shall be reserved to Grantor) equal to the ratio of the appraised value of this easement to the unrestricted fair market value of the Property, as these values are determined on the date of this Conservation Easement. Grantee shall use the proceeds consistently with the conservation purposes of this Conservation Easement.

13. **INTERPRETATION.** This Conservation Easement shall be interpreted under the laws of Texas, resolving any ambiguities and questions of the validity of specific provisions so as to give maximum effect to its conservation purposes.

14. **INDEMNIFICATION.**

14.1 Grantor hereby agrees to indemnify, defend (with counsel approved by Grantee, which approval will not be unreasonably withheld) and hold harmless Grantee and each of Grantee's officers, directors, employees, agents, invitees, and contractors (the "Grantee Parties") from and against any and all claims, costs, liabilities, penalties, damages, or expenses of any kind or nature whatsoever, including, but not limited to, court costs and reasonable attorneys' fees and expenses, (the "Losses") arising or resulting from: (i) injury to or the death of any person, or damage to any property or property interest, resulting from any act, omission, condition, or other matter related to or occurring on or about the Property to the extent such Losses are caused by the negligence, gross negligence or willful misconduct of any of the Grantor Parties (as defined below); or (ii) any breach by Grantor of any covenant, representation or warranty in this Conservation Easement.

14.2 Grantee hereby agrees to indemnify, defend (with counsel approved by Grantor, which approval will not be unreasonably withheld) and hold harmless Grantor and each of Grantor's officers, directors, employees, agents, invitees, heirs, assigns, and contractors (the "Grantor Parties") from and against all Losses arising or resulting from: (i) injury to or the death of any person, or damage to any property or property interest, resulting from any act, omission, condition, or other matter related to or occurring on or about the Property to the extent such Losses are caused by the negligence, gross negligence or willful misconduct of

any of the Grantee Parties; or (ii) any breach by Grantee of any covenant, representation or warranty of this Conservation Easement.

15. **TITLE.** Grantor covenants and represents that Grantor is the sole owner and is seized of the Property in fee simple and has good right to grant and convey this Conservation Easement; that the Property is free and clear of any and all encumbrances, including but not limited to, any mortgages not subordinated to this Conservation Easement, and that Grantee shall have the use of and enjoy all of the benefits derived from and arising out of this Conservation Easement. If a successful title claim directly or indirectly impacts the Conservation Easement title, Grantor hereby assigns to Grantee a portion of the title insurance proceeds awarded to the Grantor in the percentage amount based on the same calculation as set forth in Section 12 of this Conservation Easement.

16. **NOTICES.** Any notices required by this Conservation Easement shall be in writing and shall be personally delivered or sent by first class mail, to Grantor and Grantee, respectively, at the following addresses, unless a party has been notified by the other of a change of address.

To Grantor:

Chris A. Hale
P.O. Box 5947
Austin, Texas 78763

To Grantee:

Legal Department
The Nature Conservancy
P.O. Box 1440
San Antonio, Texas 78295-1440

17. **ENVIRONMENTAL CONDITION.** Grantor warrants that they have no actual knowledge of a release or threatened release of hazardous substances or wastes on the Property.

18. **COMPLIANCE WITH APPLICABLE LAWS.** Grantor shall comply with all statutes, laws, ordinances, rules, regulations, codes, orders, guidelines, or other restrictions, or requirements applicable to the Property. Nothing herein shall be construed to allow Grantor to engage in any activity which is restricted or prohibited by law, restrictions or other requirements applicable to the Property.

19. **SEVERABILITY.** If any provision of this Conservation Easement is found to be invalid, the remaining provisions shall not be altered thereby.

20. **PARTIES.** Every provision of this Conservation Easement that applies to Grantor or Grantee, including provisions under which rights are reserved by or conveyed to Grantor or Grantee, shall also apply to their respective heirs, executors, administrators, assigns, and all other successors as their interest may appear, specifically including all rights granted to Grantor.

21. **RE-RECORDING.** In order to ensure the perpetual enforceability of the Conservation Easement, Grantee is authorized to re-record this instrument or any other appropriate notice or instrument.

22. **MERGER.** The parties agree that the terms of this Conservation Easement shall survive any merger of the fee and easement interest in the Property.

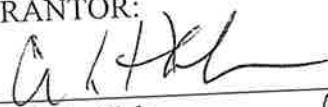
23. **SUBSEQUENT LIENS ON PROPERTY.** No provisions of this Conservation Easement should be construed as impairing the ability of Grantor to use this Property as collateral for subsequent borrowing, provided that any mortgage or lien arising from such a borrowing is subordinate to this Conservation Easement and does not violate the restrictions on subdivision of the Property.

24. **ACCEPTANCE & EFFECTIVE DATE.** As attested by the signature of its authorized representative, Grantee hereby accepts without reservation the rights and responsibilities conveyed by this Conservation Easement. This Conservation Easement is to be effective the date recorded in the Kendall County Real Property Records.

TO HAVE AND TO HOLD, this Grant of Conservation Easement unto Grantee, its successors and assigns, forever.

IN WITNESS WHEREOF, Grantor and Grantee, intending to legally bind themselves, have executed this Conservation Easement as of the date first written above.

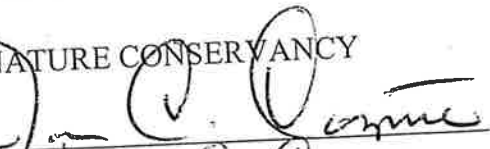
GRANTOR:


Chris A. Hale


Janet Riola Hale

GRANTEE:

THE NATURE CONSERVANCY

By: 

Name: Jason C. Corzine

Title: Grant Trust Review Manager

STATE OF TEXAS §
 COUNTY OF TRAVIS §

Before me, on the 28th day of December, 2007, personally appeared Chris A. Hale and Janet Riola Hale, known to me to be the persons whose names are subscribed to the foregoing instrument, who acknowledged that they executed the same for the purposes and consideration stated herein.

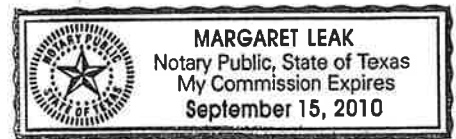
GIVEN UNDER MY HAND AND SEAL OF OFFICE, this 28th day of December, 2007.

Margaret Leak (SEAL)

NOTARY PUBLIC

My commission expires:

Sept. 15 2010



STATE OF TEXAS §
 COUNTY OF TRAVIS §

This instrument was acknowledged before me on the 28th day of December, 2007, by Jason C. Colzine, Central TX mgr of THE NATURE CONSERVANCY, on behalf of said corporation.

Margaret Leak (SEAL)
 NOTARY PUBLIC

My commission expires:

Sept. 15 2010

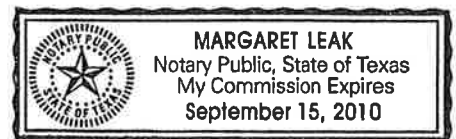


EXHIBIT A

TRACT I

Approximately 332.5 acres of land situated in Kendall County, Texas and comprises parts of the following Surveys with the following approximate acreages:

2.4 acres of land, part of the C.C.S.D. & R.G.N.G.R.R. Co. Survey No. 127, Abstract No. 634;

149.0 acres of land, part of the Richard Rawls Survey No. 7, Abstract No. 417;

5.1 acres of land, part of the Peter Woods Survey No. 274, abstract No. 1299;

176.0 acres of land, part of the Peter Woods Survey No. 274, Abstract No. 1292.

Said 332.5 acre tract of land is described by metes and bounds as follows, to wit:

Beginning at a steel bar set at a fence corner post found set for the occupational S. E. corner of the Peter Woods Survey No. 274, Abstract No. 1292, for the S. E. corner of this tract of land;

Thence with fence N.88° 37' W. 1525.4 feet to a steel bar set at a fence corner post, for the S. W. corner of this tract of land;

Thence with fence as follows:

N.6° 32' E. 377.2 feet to a corner post;

N. 0° 11' E. 1706.4 feet to a stake;

N.0° 20' E. 615.9 feet to a stake;

N.0° 09' W. 951.0 feet to a stake;

N.1° 07' W. 316.6 feet to a corner post;

N.32° 34'E. 625.2 feet to a stake on the South bank of the Blanco River;

N.22° 57'E., crossing the Blanco River, 77.9 feet in all to an 8 inch dia. L. O. tree;

S. $84^{\circ} 11'$ E. 28.2 feet to a steel bar;

N. $3^{\circ} 48'$ W 273.7 feet to a corner post;

N. $15^{\circ} 44'$ E. 1066.5 feet to a steel bar set at a corner post;

N. $82^{\circ} 42'$ W 112.3 feet to a 12 inch dia. L.O. tree, being a point in the occupational West line of the Richard Rawls Survey No. 7;

N. $16^{\circ} 33'$ E., with West line of said Survey No. 7, 728.9 feet to a steel bar set in the South line of R.M. Highway No. 1888, for the N.W. corner of this tract of land;

Thence with the South right-of-way line of R.M. Highway No. 1888 as follows:

S. $66^{\circ} 58'$ E. 776.5 feet to a concrete monument;

with the arc of a curve to the left having a radius of 1195.9 feet and a central angle of $26^{\circ} 21' 25''$, in an Easterly direction, a distance of 550.1 feet to a concret monument;

N. $86^{\circ} 42'$ E. 1450.0 feet to a concrete monument found set at a fence corner post, for the N.E. corner of this tract of land;

Thence with fence along the occupational East line of the Richard Rawls Survey No. 7, S. $18^{\circ} 09'$ W. 1479.2 feet to a pipe found set at a corner post, being a point on the South Bank of a branch;
Thence S. $18^{\circ} 01'$ W. 366.1 feet to a steel pipe found set at a fence corner post;

Thence with fence S. $18^{\circ} 15'$ W., crossing the Blanco River, 1395.6 feet in all to a steel bar set in fence;

Thence with fence along the occupational East line of the Peter Woods Survey No. 274, Abstract No. 1292, as follows:

S. $8^{\circ} 54'$ W. 145.3 feet to a steel bar;

S. $16^{\circ} 51'$ W. 1814.3 feet to a stake;

S. $17^{\circ} 27'$ W. 1401.9 feet to the place of beginning.

TRACT IIA

A DESCRIPTION OF A 0.55 OF AN ACRE TRACT OF LAND OUT OF THE RICHARD RAWLS SURVEY NO. 7, ABSTRACT NO. 417, SITUATED IN KENDALL COUNTY, TEXAS; SAID 0.55 OF AN ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1/2 inch iron rod set for the southwest corner of said Survey No. 7, being on the west line of a 332.5 acre tract of land conveyed from Richard Peacock et ux to Bryan M. Hale by a Warranty Deed recorded in Volume 315, Page 102 et seq. of the Deed Records of said County, being on the east line of a 969.006 acre tract of land of record in Volume 63, Page 156 et seq. of the Probate Records of said County and on the east line of a 235.95 acre Tract "B" this day surveyed for the south corner hereof;

THENCE along the said east line of the 969.006 acre tract, N 17° 00' 00" E, a distance of 407.66 feet to a 1/2 inch iron rod set for the northeast corner of the said 235.95 acre tract and the northwest corner hereof;

THENCE S 83° 12' 14" E, a distance of 119.50 feet to a 1/2 inch iron rod set on the west line of said Survey No. 7, being the northeast corner hereof;

THENCE along said west line, as fenced, S 32° 20' 09" W, a distance of 444.67 feet to the POINT OF BEGINNING, containing 0.55 of an acre of land, more or less.

TRACT HB

Approximately 235.95 ACRE TRACT OF LAND WHICH IS COMPRISED OF THE FOLLOWING PORTIONS OF SURVEYS (PATENTS) SITUATED IN KENDALL COUNTY, TEXAS:

- 0.51 OF AN ACRE, MORE OR LESS, OF SECTION 274, R.E. & W.T. RAILROAD COMPANY,
- 1.85 ACRES, MORE OR LESS, OF THE PETER WOODS SURVEY, ABSTRACT NO. 1080 (WEST 1/2 OF SECTION 232, C.C.S.D. & R.G.N.G. RAILROAD COMPANY),
- 62.82 ACRES, MORE OR LESS, OF THE WILLIAM DUNBAR SURVEY NO. 8, ABSTRACT NO. 150 AND
- 170.77 ACRES, MORE OR LESS, OF THE J. L. COPENHAVER SURVEY, ABSTRACT NO. 1051 (EAST 1/2 OF SECTION 232, C.C.S.D. & R.G.N.G. RAILROAD COMPANY);

BEING A PORTION OF THAT CERTAIN 969.006 ACRE TRACT OF LAND OF RECORD IN VOLUME 63, PAGE 156 ET SEQ. OF THE PROBATE RECORDS OF SAID COUNTY AND A PORTION OF THAT CERTAIN 22 ACRE TRACT OF LAND CONVEYED FROM CLAUDE ATKINS TO OPHELIA GRENWELGE BY A QUITCLAIM DEED RECORDED IN VOLUME 248, PAGE 301 ET SEQ. OF THE DEED RECORDS OF SAID COUNTY; SAID 235.95 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1/2 inch iron rod found at the base of a fence post on the south line of the said 969.006 acre tract at the southeast corner of a 7.9 acre tract of land conveyed from Ophelia Grenwelge to Claude Atkins, et al by a Quitclaim Deed recorded in said Volume 248, Page 304 et seq. of the said Deed Records, being a point on a lower northerly line of that certain 2,608.7 acre tract of land conveyed from Lee Witworth to Claude Atkins by a Warranty Deed recorded in Volume 106, Page 637 et seq. of the said Deed Records, for the southerly southwest corner hereof;

THENCE along the following four (4) courses of the fenced east line of the said 7.9 acre tract:

1. N 01° 35' 03" W, a distance of 244.36 feet to a 1/2 inch iron rod found at the base of a fence post,
2. N 23° 20' 18" E, a distance of 412.26 feet to a 1/2 inch iron rod found at the base of a 18 inch diameter Live Oak tree,
3. N 09° 53' 54" W, a distance of 80.07 feet to a 1/2 inch iron rod found at the base of a fence post, and
4. N 54° 57' 21" W, a distance of 610.61 feet to a 1/2 inch iron rod found on a lower west line of the said 969.006 acre tract, being on a east line of the said 2,608.7 acre tract, for the westerly southwest corner hereof;

THENCE along the said lower west line of the 969.006 acre tract, N 03° 21' 26" W, a distance of 2165.38 feet to a 1/2 inch iron rod found at the base of a fence post at the southeast corner of the said 22 acre tract, being an interior corner hereof;

THENCE along the south line of the said 22 acre tract, S 75° 48' 22" W, a distance of 267.85 feet to a 1/2 inch iron rod at the base of fence post on a northerly line of the said 2,608.7 acre tract, being on an upper south line of the said

969.006 acre tract, for an upper southwest corner hereof;

THENCE departing from said upper south line and passing over and across the said 969.006 acre tract along the following eleven (11) courses of an existing fenceline, being a westerly line hereof:

1. N 14° 43' 26" E, a distance of 1072.55 feet to a 1/2 inch iron rod set at the base of a fence post,
2. N 55° 26' 38" E, a distance of 520.19 feet to a 1/2 inch iron rod set at the base of a 24 inch diameter Post Oak tree,
3. N 01° 35' 23" E, a distance of 151.80 feet to a 1/2 inch iron rod set at the base of a fence post,
4. S 72° 58' 28" E, a distance of 82.63 feet to a 1/2 inch iron rod set at the base of a fence post,
5. N 32° 40' 48" E, a distance of 340.42 feet to a 1/2 inch iron rod set at the base of a fence post,
6. N 75° 11' 58" W, a distance of 85.02 feet to a 1/2 inch iron rod set in a field fenceline,
7. N 19° 26' 31" E, crossing the Blanco River, at a distance of 86.37 feet a 1/2 inch iron rod set at the base of a metal "T" fence post on the north bank of the said Blanco River, continuing for a total distance of 192.86 feet to a 1/2 inch iron rod set at the base of a fence post,
8. N 38° 28' 43" W, a distance of 11.32 feet to a 1/2 inch iron rod set at the base of a 24 inch diameter double trunk Live Oak tree,
9. N 35° 04' 59" E, a distance of 42.79 feet to a 1/2 inch iron rod set at the base of a 28 inch diameter Live Oak tree,
10. N 73° 07' 41" E, a distance of 27.70 feet to a 1/2 inch iron rod set at the base of a 36 inch diameter Live Oak tree, and
11. N 10° 10' 34" E, a distance of 30.41 feet to a 1/2 inch iron rod set in a fenceline for the northwest corner hereof;

THENCE continuing across the said 696.006 acre tract along the following three (3) courses of the north line hereof:

1. S 76° 10' 35" E, at a distance of 55.05 feet a fence post at the beginning of a field fence, continuing with fence for a total distance of 541.40 feet to a 1/2 inch iron rod set,
2. S 03° 34' 59" W, crossing the said Blanco River, a distance of 258.49 feet to a 1/2 inch iron rod set, and
3. S 83° 12' 14" E, a distance of 1,157.25 feet a 1/2 inch iron rod set on the east line of the said 969.006 acre tract, being the northwest corner of a 0.55 acre Tract "A" this day surveyed and the north-east corner hereof;

THENCE along the following two (2) courses of the east line of the said 969.006 acre tract:

1. S 17° 00' 00" W, a distance of 407.66 feet to a 1/2 inch iron rod set, being on the west line of that certain 332.5 acre tract of land conveyed from Richard Peacock et ux to Bryan M. Hale by a Warranty Deed recorded in Volume 315, Page 102 et seq. of the said Deed Records, being the south corner of the said 0.55 of an acre tract, for an angle on the east line hereof, and
2. S 00° 01' 45" W, a distance of 3588.80 feet to a metal "T" fence post, being the easterly southeast corner hereof;

THENCE departing from said east line and passing over and across the said 969.006 acre tract along the following two (2) courses of the southeasterly line hereof, as fenced:

1. S 06° 31' 50" W, a distance of 377.13 feet to a 1/2 inch iron rod found at the base of a fence post at the southwest corner of the said 332.5 acre tract, and
2. S 25° 39' 12" W, a distance of 344.55 feet to a 1/2 inch iron rod found on the said south line of the 969.006 acre tract and lower north line of the said 2,608.7 acre tract, being the southeast corner hereof;

THENCE along the said south line of the 969.006 acre tract, N 89° 42' 45" W, a distance of 1601.53 feet to the POINT OF BEGINNING, containing 235.95 acres of land, more or less.

TRACT IIIA

A DESCRIPTION OF A 92.20 ACRE TRACT OF LAND OUT OF THE WILLIAM DUNBAR SURVEY NO. 8, ABSTRACT NO. 150, SITUATED IN KENDALL COUNTY, TEXAS; BEING PART OF THAT CERTAIN 969.006 ACRE TRACT OF LAND OF RECORD IN VOLUME 63, PAGE 156 ET SEQ. OF THE PROBATE RECORDS OF SAID COUNTY; SAID 92.20 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1/2 inch iron rod found on the south R.O.W. (right-of-way) line of F.M. 1888 at the northwest corner of that certain 332.5 acre tract of land conveyed from Richard M. Peacock, et ux to Bryan M. Hale, et ux by a Warranty Deed recorded in Volume 315, Page 102 et seq. of the Deed Records of said County, being on the east line of the said 969.006 acre tract, for the northeast corner hereof;

THENCE with said south R.O.W. line the following three (3) courses:

1. N 66° 56' 03" W, a distance of 494.49 feet to a concrete R.O.W. monument found at a point of curvature, said monument being 50 feet left of Engineer's Centerline Station 444 + 68.3,
2. a distance of 713.83 feet along the arc of a curve to the left having a central angle of 21° 59' 17", a radius of 1860.08 feet and a chord bearing of N 77° 58' 04" W, a distance of 709.46 feet to a concrete R.O.W. monument found at the point of tangency of said curve, said monument being 50 feet left of Engineer's Centerline Station 452 + 01.6, and
3. N 88° 56' 31" W, a distance of 254.84 feet to a 1/2 inch iron rod set for the northwest corner hereof;

THENCE departing from said south R.O.W. line and passing over the said 969.006 acre tract with the following eleven (11) courses:

1. S 00° 42' 13" E, at a distance of 65.79 feet a 1/2 inch iron rod set at the base of a fence post at the beginning of a fence, continuing for a total distance of 215.28 to a 1/2 inch iron rod set,
2. S 75° 02' 51" W, a distance of 476.32 feet to a 1/2 inch iron rod set in a fenceline,
3. S 08° 19' 28" W, a distance of 257.65 feet with fence to a 1/2 inch iron rod set at the base a fence post,
4. S 13° 28' 17" E, a distance of 194.86 feet with fence to a 18 inch diameter Live Oak tree,
5. S 14° 47' 08" W, a distance of 214.50 feet with fence to a 1/2 inch iron rod set at the base of a fence post,
6. S 53° 20' 57" W, a distance of 162.86 feet with fence to a 15 inch diameter Cedar fence post,
7. S 51° 41' 43" W, a distance of 74.58 feet with fence to a 1/2 inch iron rod set at the base of a fence post,

8. S 08° 44' 11" W, a distance of 299.89 feet with fence to a Cedar fence post,
9. S 07° 53' 29" W, a distance of 167.68 feet with fence to a 20 inch diameter Live Oak tree,
10. S 08° 32' 50" W, a distance of 198.80 feet with fence to a Cedar fence post, and
11. S 08° 28' 43" W, a distance of 252.24 feet with fence to a 1/2 inch iron rod set on the fenced north line of that certain 235.95 acre tract of land conveyed from Wilbert James Grenwelge, et ux to Chris A. Hale by a Warranty Deed with Vendor's Lien recorded in Volume 345, Page 685 et seq. of the said Deed Records, for the westerly southwest corner hereof;

THENCE with the said north line of the 235.95 acre tract, the following three (3) courses:

1. S 76° 10' 35" E, a distance of 486.35 feet with fence to a 1/2 inch iron rod found at the base of a creosoted fence post,
2. S 03° 34' 39" W, crossing over the Blanco River, a distance of 258.49 feet to a 1/2 inch iron rod set at a reentrant corner on the said north line of the 235.95 acre tract, and
3. S 83° 12' 14" E, a distance of 1157.25 feet to a 1/2 inch iron rod set at the northeast corner of the said 235.95 acre tract, being the northwest corner of a 0.55 of an acre tract of record in said Volume 345, Page 685, also being the southwest corner of a 4.51 acre tract this day surveyed, for the southeast corner hereof;

THENCE N 16° 09' 55" E, at a distance of 1581.72 feet a 1/2 inch iron rod set for the northwest corner of the said 4.51 acre tract, continuing for a total distance of 2310.08 feet to the POINT OF BEGINNING, containing 92.20 acres of land, more or less.

TRACT IIB

A DESCRIPTION OF A 4.51 ACRE TRACT OF LAND OUT OF THE RICHARD RAWLS SURVEY NO. 7, ABSTRACT NO. 417, SITUATED IN KENDALL COUNTY, TEXAS; SAID 4.51 ACRE TRACT BEING MORE PARTICULARLY DESCRIBED AS FOLLOWS:

BEGINNING at a 1/2 inch iron rod found on the west line of that certain 332.5 acre tract of land conveyed from Richard Peacock, et ux to Bryan M. Hale by a Warranty Deed recorded in Volume 315, Page 102 et seq. of the Deed Records of said County, being the northeast corner of that certain 0.55 of an acre conveyed from Wilbert James Grenwelge, et ux to Chris A. Hale by a Warranty Deed with Vendor's Lien recorded in Volume 345/ Page 685 et seq. of the said Deed Records, for the southeast corner hereof;

THENCE with the north line of the said 0.55 of an acre tract, N 83° 12' 14" W, a distance of 119.49 feet to a 1/2 inch iron rod set at the northwest corner thereof, being the northeast corner of a 235.95 acre tract of record in said Volume 345, Page 685, also being the southeast corner of a 92.20 acre tract this day surveyed, for the southwest corner hereof;

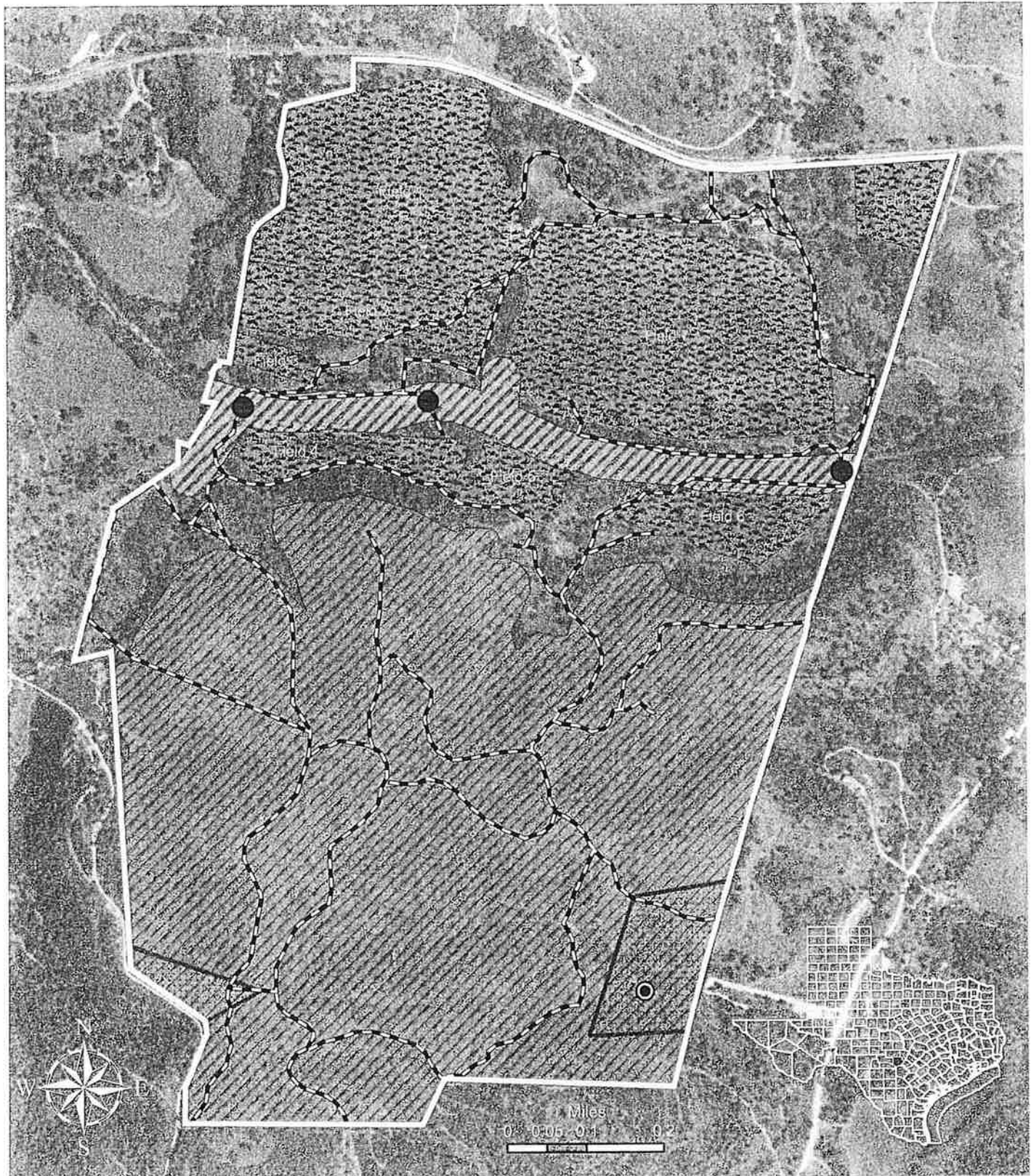
THENCE N 16° 09' 55" E, crossing over the Blanco River, a distance of 1581.72 feet to a 1/2 inch iron rod set on a lower north line of the said 332.5 acre tract, for the northwest corner hereof;

THENCE with said lower north line, S 82° 56' 11" E, a distance of 107.08 feet with fence to a Cedar fence post,

THENCE with the said west line of the 332.5 acre tract, as fenced, the following four (4) courses:

1. S 15° 43' 49" W, a distance of 1066.39 feet to a Cedar fence post,
2. S 03° 39' 22" E, a distance of 267.92 feet to a 10 inch diameter Cedar fence post,
3. S 86° 08' 19" W, a distance of 26.87 feet to a 10 inch diameter Live Oak tree, and
4. S 29° 54' 23" W, crossing over the said Blanco River, a distance of 259.01 feet to the POINT OF BEGINNING, containing 4.51 acres of land, more or less.

Norco Ranch EDR Exhibit B



- | | | |
|---------------------|--------------------------------|-----------------------|
| Hale Ranch Boundary | Potential Development Areas | Low Water Crossings |
| Norco Roads | NDZ 40 meter Blanco Centerline | Potential Future Tank |
| Fields | NDZ 1720+ ft. elevation | |

STATE OF TEXAS, COUNTY OF KENDALL
 I hereby certify that this instrument was filed in File
 Number Sequence on the date and at the time
 stamped hereon and was duly recorded in the
 Official Records of Kendall County, Texas on:



JAN 2 2008

DARLENE HERRIN, County Clerk
 Kendall County, Texas

By: XRM Deputy

RECORDER'S MEMORANDUM

All or part of the text on this
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Filed for Record in:

Kendall County
 Darlene Herrin
 County Clerk

On: Dec 28, 2007 at 02:51P

Document Number: 00228128
 Total Fees : 123.00 pd

Receipt Number - 106349
 By Deputy: Harriet Seidensticker

This Document has been received by this Office
 for Recording into the Official Public Records.
 We do hereby swear that we do not discriminate
 due to Race, Creed, Color, Sex or National
 Origin.