

MEDINA RANCH LEASE

The State of Texas)

County of Medina)

WHEREAS, MEDINA RANCH, INCORPORATED, has enclosed within its fences certain tracts of land at the Main and Diversion Dams belonging to Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1, in Medina County, Texas, said tracts being described as follows, to-wit:

The Exhibit A

NOW, THEREFORE, said Medina Ranch, Incorporated, hereby acknowledges that it enclosed said tracts of land within its fences and that it has maintained and is maintaining said fences around said land by express permission of said Water District and in subordination to the said Water District's title to and ownership of same, and Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1 hereby grants for a period of ten (10) years, beginning on the 1st day of January, 2002, and ending on the 31st day of December, 2012, and continuing thereafter for successive terms of one year each until the earlier of either ten years or either party gives notice of intent that the lease not extend beyond the then-current one year term, unto Medina Ranch, Incorporated, its successors and assigns, permission to use (to the exclusion of all persons except as herein provided) the described tracts of land in Exhibit "A", for the purpose of grazing stock and fishing and hunting, and the said Medina Ranch, Incorporated, its successors and assigns, is also hereby empowered and authorized to exclude and oust from all of said tracts of land herein described in Exhibit "A", all persons other than the officers, directors, employees, agents, and contractors of the said Water District and federal and state authorities. The said Water District, its directors, officers, employees, agents, and contractors and federal and state authorities, however, shall have the right, at any time, to enter upon said lands and water belonging to the Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1, and upon the waters therein and enclosed thereby, for any and all-purpose connected with the maintenance and operation of the irrigation system of said Water District.

The said Water District, its directors, officers, employees, agents, and contractors and federal and state authorities, however, shall have the right at any time to use the roads belonging to the said Medina Ranch, Incorporated, when necessary in connection with the maintenance and operation of said system, provided, however the said Water District, its directors, officers, employees, agents, and contractors, and federal and state authorities shall not use any road on

any tract of land or any part of such land, which may be leased to any Shareholder of the said Medina Ranch, Incorporated, without the consent of such lessee.

The said Water District expressly reserves unto itself, its directors, officers, employees, agents, and contractors and federal and state authorities, the exclusive right to occupy and use the residence, the property surrounding the residence, the access road to the residence, utility easements to the residence and other facilities, and all other Water District property and facilities located upon the tracts of land. It is the obligation of the Water District to maintain the property and pay the expenses thereof.

In consideration for this lease, Medina Ranch, Incorporated, shall pay to Bexar-Medina-Atascosa Counties Water Control & Improvements District No. 1, Ten Thousand Dollars (\$10,000.00) per year, paid quarterly, due on April 1st and each Quarter thereafter until the last installment is due.

Medina Ranch, Incorporated, agrees to be responsible for the actions of its directors, shareholders, their families, guests, employees and agents with respect to the Leased premises.

Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1, agrees to be responsible for the actions of its directors, officers, employees, agents, contractors and any federal and state authorities which come on the Leased premises at the request of the Water District, with respect to the Leased premises.

Medina Ranch, Incorporated will add Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1 to its liability policy as an additional insured, insofar as liability arising out of this Lease that is covered by such policy and will furnish a Certificate of Insurance. Such Certificate shall contain a statement that coverage will not be cancelled until at least thirty (30) days prior written notice to additional insured and show coverage with a general aggregate limit of not less than One Million Dollars (\$1,000,000).

In the event default shall be made by Medina Ranch, Incorporated, in the payment of any rent herein provided for upon the date when it shall become due and payable, and such continues thirty (30) days after notice in writing given by said Water District to said Medina Ranch, Incorporated, said Water District, may declare this Lease cancelled and

the terms hereof ended, and may enter said premises, with or without process of law, and take possession thereof, or may at its option, enforce specific performance hereof.

The present and future Directors, Officers, and Employees of Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1 and its successors shall, and hereby agree to use its best effort to keep the level of the water in the Diversion Lake as uniformly as possible without interfering with the use of the lake for water supply purposes, and to cooperate in every way with the Medina Ranch, Incorporated, carrying out any suggestions made by Medina Ranch, Incorporated, when same does not interfere with the interests or the operations of said Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1, or require the expenditure of funds by the said Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1, or result in the waste of water.

The rights hereby granted to Medina Ranch, Incorporated, to make use of the described lands in Exhibit "A" and waters belonging to said Bexar-Medina-Atascosa Counties Water Control & Improvement District No. 1 for this purpose hereinbefore set forth and to keep said tracts of land enclosed within its fences, shall be in force for the term as hereinabove set out.

This instrument is binding upon the successors and assigns of the parties hereto, and is completed in original duplicates, this 2nd day of January, 2002.

BEXAR-MEDINA-ATASCOSA COUNTIES
WATER CONTROL & IMPROVEMENT
DISTRICT NO. 1

By

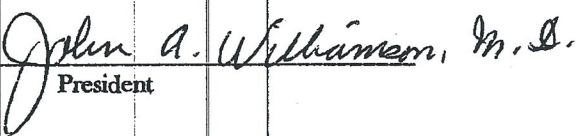

President

By


Secretary

MEDINA RANCH, INCORPORATED

By


President