

May 5, 2004

Keller ISD
350 Keller Parkway
Keller, Texas 76248

Thank you for allowing School District Strategies, LLC (“SDS”) to work with the Keller ISD. We look forward to a productive relationship that helps you to closely forecast your future enrollment by attendance zones, plan future facility needs and assist with redrawing attendance zones. This letter outlines the service that SDS is now prepared to offer.

Term of Agreement

One year periodic services described below with option for renewal.

Description of Services

A. *Historical New Home Activity*

SDS will provide Keller ISD with a report of all new home activity within the district. This information will be updated quarterly through SDS’s affiliate company, Residential Strategies, Inc. (RSI). SDS has an exclusive relationship with RSI to provide new home information and research to be used in conjunction with school districts.

Information included in this report will include housing starts (new slabs poured), new home closings (physically occupied homes), model homes, units under construction and vacant homes. Additionally included will be the generalized price range of the community, the supply of vacant developed lots within each community and future lots that have received final platting (often lots under development). Information provided in this report is created quarterly by RSI’s proprietary census of all new home activity within the Dallas/Ft. Worth market. (Employees of RSI drive through each neighborhood and physically observe the current status of activity on each lot).

The objective of providing this information is to ensure that the Keller ISD has a clear understanding of all current new home activity within its school district boundary.

Furthermore, Keller ISD should have a firm grasp of new homes immediately in the pipeline (homes in various stages of construction) that will effect enrollment in the upcoming school year.

SDS will supplement the information on new home construction with information on new multi-family construction and new mobile home parks.

B. Potential Housing Development

SDS will also supply information on new home communities that are in various stages of preliminary platting. While these communities often times have not been approved by planning and zoning or by city council, they offer a glimpse into new home activity that should emerge in the upcoming months. Information provided in this report will include the location of the property, the name of the development, the name of the developer or owning entity, acreage, total lots and lot size where available.

C. Housing Activity Forecast

An accurate enrollment projection stems from an accurate housing formation forecast. In order to create a housing forecast, SDS examines the current annual new home start and closing rate, the vacant developed lot supply in active subdivisions as well as those communities that are platted (both final plat and preliminary plat) for development and delivery in the near future. The normal time required for a new lot development ranges from 6-24 months. Consequently, SDS can provide a very clear picture of new household formations for the next 24 months.

Based on market history to date, RSI's knowledge of selected builders and the capacity for the newly platted communities, SDS is able to accurately project start activity within the selected geographic area confidently for a two year window.

Projecting housing activity beyond two years becomes less clear. RSI conducts 500+ meetings with homebuilders and lot developers active in the DFW metroplex each year. From these meetings, RSI is aware of land that is currently being reviewed for development and the general pricing of new homes that would be developed in different areas. As a result, it can make general predictions on future household formations. Certainly future new household growth is predicated on many other factors such as future employment growth and mortgage rates, both of which are difficult to project beyond a two-year horizon. Nonetheless, SDS will make its best efforts to estimate growth for the selected geographic area for a five-year period.

D. Enrollment Projections

SDS will integrate school district information regarding current specific school enrollments with its individual neighborhood forecasts to create enrollment projections by attendance zone for Keller ISD. These projections will be monitored quarterly and will be reviewed in a face-to-face consulting session between Keller ISD representatives

and SDS' agent, Bob Templeton. The objective of these quarterly meetings will be to explain the findings, provide comments on new and potential housing developments and create an understanding of future residential developments' impact on a specific attendance zone.

To arrive at a specific forecast regarding the number of children by grade will require certain assumptions regarding the yield of children in the new homes. These assumptions will be based on historical trends, the general price of the new homes and any other subjective factors that may be presented in the analysis of the new homes and the existing population of students. The consulting session will also provide a forum to discuss and modify the assumptions used in creating the forecast. The resulting information should provide a very clear picture of enrollment projections for at least two years out, and a more generalized enrollment projection for three-five years.

E. Forecast of Facility Needs

From the resulting forecast of enrollment by attendance zone, SDS can forecast Keller ISD's facility needs for at least five years. A specific benefit of the quarterly analysis of the market is that projections are routinely revised based on the ever-changing housing markets. As the potential for school crowding becomes evident in the forecast, SDS can project the timing and specific attendance zones in which new schools will be required. The ultimate goal is to stay well ahead of the curve in determining future facility needs.

F. Attendance Zone Planning

SDS will assist the administration with attendance zone planning by working with the administration to develop new attendance zones. Bob Templeton will also assist by attending an agreed upon number of public hearings and work sessions through the completion of the boundary process.

Fees and Expenses

SDS is offering this Service to you for \$30,000 (together with any sales tax, to the extent applicable).

SDS will invoice Keller ISD for services rendered in four separate installments, as set forth below:

Payment Due Dates	Amount	<u>Fiscal Quarter</u>
May 1, 2004	\$7,500 *	2Q04
August 1,2004	\$7,500 *	3Q04
November 1,2004	\$7,500 *	4Q04
February 1,2005	\$7,500 *	1Q05

Miscellaneous Terms

SDS shall use its best efforts to ensure that the information provided by it to you in connection with its services rendered hereunder is accurate and complete in all material respects. Neither SDS nor RSI shall not be liable to you for any inaccuracies, errors or omissions in connection with its services provided hereunder unless such inaccuracies, errors or omissions are the result of SDS or RSI's gross negligence or willful misconduct. Except as set forth above, SDS and RSI make no representation or warranty, express or implied, regarding the services rendered hereunder or the implementation of such services by you.

This letter agreement contains the entire understanding and agreement of the parties concerning the subject matter hereof, and supersedes all previous agreements (oral or written) between the parties.

* * * * *

If the foregoing conforms with your understanding of our discussions and is acceptable, please indicate your acceptance of the service by signing in the space below, at which time this letter will be our agreement concerning our respective obligations.

We look forward to a long and productive working relationship.

Very truly yours,

Bob Templeton

Accepted and Agreed as of this _____ day of _____, 2004:

By: _____

Title: _____