

AGREEMENT
AMONG HIDALGO COUNTY, SANTANA TEXTILES, L.L.C., AND
SANTANA REAL ESTATE, L.L.C,
AMENDING
TAX ABATEMENT AGREEMENT EFFECTIVE JULY 6, 2010,
BETWEEN HIDALGO COUNTY AND SANTANA TEXTILES, L.L.C.

This Agreement (the “**Amendment**”) is entered into as of April 14, 2015, among HIDALGO COUNTY, a political subdivision of the State of Texas (the “**County**”), duly acting herein by and through its duly authorized representatives, pursuant to an Order dated April 14, 2015, by the Hidalgo County Commissioners’ Court (hereinafter referred to as the “**Commissioners Court**”), SANTANA TEXTILES, L.L.C., a Texas limited liability company (“**Textiles**”) and SANTANA REAL ESTATE, L.L.C., a Texas limited liability company (“**SRE**”), and amends that certain Tax Abatement Agreement (the “**Santana Agreement**”) between the County and Textiles entered into effective July 6, 2010.

WITNESSETH:

WHEREAS, the County is committed to the promotion of high quality development in the County, and desires to promote and encourage the types kinds of investment that result in the creation of new jobs, new income and positive economic growth, which is beneficial to the County as a whole; and

WHEREAS, the County gives consideration on a case-by-case basis to providing tax abatement as a stimulation for economic development in the County in accordance with Guidelines and Criteria for Granting Tax Abatements in Hidalgo County, Texas; and

WHEREAS, on the 15th day of June, 2010, the City of Edinburg adopted an Ordinance (the “**Ordinance**”), establishing a City Reinvestment Zone for commercial/industrial tax abatement designated as Reinvestment Zone No. 2010-01 of the City of Edinburg, Texas (the “**Zone**”), as authorized by the Property Redevelopment

and Tax Abatement Act, Subchapter C, V.A.T.C., Texas Tax Code § 312.200 et seq., as amended (the “**Act**”); and

WHEREAS, in order to maintain and enhance the commercial and industrial economic and employment base of the County, the Commissioners Court deemed it to be in the best interest of the County to enter into the Santana Agreement with Textiles in accordance with then effective Guidelines and Criteria for Granting Tax Abatements in Hidalgo County, Texas, which are attached as Exhibit “A” to the Santana Agreement (as amended by the Commissioners Court through July 6, 2010, the “**Guidelines and Criteria**”); and

WHEREAS, pursuant to the Guidelines and Criteria and the Act, the County entered into the Santana Agreement concerning the project being developed by Textiles in the Zone (the “**Project**”); and

WHEREAS, Textiles agreed in the Santana Agreement to make certain improvements to the **Eligible Facilities** (as such term is defined in the Guidelines and Criteria), which Improvements were expected to result in the creation of a certain number of **Jobs** (as defined in the Guidelines and Criteria) and an increase in the **Property** (as defined in the Santana Agreement) value; and

WHEREAS, as set forth in that certain nonbinding Resolution of Support for Changes to Santana Textiles, L.L.C. Tax Abatement Project approved by Commissioners’ Court on January 14, 2015 (the “**Resolution**”), Santana Textiles, L.L.C. informed the County that it had already invested over 27 million dollars in the Project and completed approximately 95% of the 240,765 square foot **Facility** (as defined in the Santana Agreement), but has been unable to finance the Project as originally planned due to international restrictions on the flow of capital from its Argentina operation, and instead will be finishing the Project through financing that includes the use of the New Market Tax Credit Program, which will necessitate the restructuring of the Project as set forth on **Exhibit “1”** attached hereto and made a part hereof (the “**Restructuring**”); and

WHEREAS, the proposed Restructuring of the Project will include two new entities, SRE and Santana Leverage Lender, Inc. (which is not a party to this agreement), both of which will also be owned by the owners of Textiles; and

WHEREAS, the proposed Restructuring includes the sale to SRE of that portion of Textiles property set forth on **Exhibit “2”** attached hereto and made a part hereof (the “**SRE Property**”), which SRE Property will then be leased back to Textiles for the Project; and

WHEREAS, Textiles and SRE have informed the County that the proposed Restructuring does not entail any changes to how the Facility will be operated or to any of the economic development advantages that the County expected when entering into the Santana Agreement, and does not increase the expected value of the tax abatement granted pursuant to the Santana Agreement; and

WHEREAS, Textiles has informed the County that the proposed Restructuring will allow the Facility to become operational during 2015; and

WHEREAS, the proposed Restructuring would add SRE as a party to the Santana Agreement, requiring an agreement amending the Santana Agreement, but at the time of adoption of the Resolution such an agreement could not be approved because the requirements in section IX.C of the Guidelines and Criteria were not met because certain taxes were due from Textiles, so the County instead approved the Resolution as a nonbinding expression of support for the Restructuring; and

WHEREAS, Textiles has provided evidence to the County that it has now paid the taxes that had prevented entering into this Amendment; and

WHEREAS, Textiles and SRE have informed the County that the Restructuring is to be implemented this week, with the target effective date of the Restructuring being April 15, 2015, and the last expected date being April 30, 2015; and

WHEREAS, the parties hereto have agreed to amend the Santana Agreement on the terms set forth herein to be effective upon the implementation of the Restructuring;

NOW, THEREFORE, the County, Textiles and SRE, for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, do hereby contract, covenant and agree as follows:

1. **Definitions.** All terms defined in the Santana Agreement and used herein shall have the meaning set forth therein unless otherwise defined herein.
2. **Representations and Warranties.**
 - a. Textiles and SRE represent and warrant to the County that (i) the SRE Property is as set forth on Exhibit "2", (ii) upon implementation of the Restructuring, SRE will be the fee owner of the SRE Property, (iii) Textiles is, and upon implementation of the Restructuring shall remain, the fee owner of all Property other than the SRE Property and (iv) the

statements set forth in the 6th through 14th whereas clauses above are accurate.

- b. In connection with Section IX.C. of the Guidelines and Criteria, Textiles and SRE represent and warrant to the County that neither Textiles nor SRE is liable to any jurisdiction in the County for outstanding taxes or other obligations or (ii) delinquent in the payment of ad valorem taxes to any taxing unit located in the County.

3. **Amendments to Santana Agreement.** On the Effective Date, as defined below:

- a. SRE joins and becomes a party to the Santana Agreement.
- b. SRE and Textiles shall be jointly and severally liable under the Santana Agreement and this Amendment. References to “Owner” in the Santana Agreement shall be deemed to be references to Textiles and SRE, except with respect to the amended Article III or if the context otherwise requires.
- c. In accordance with Section III.G of the Guidelines and Criteria, SRE shall have the status of a lessor with respect to the SRE Property and Textiles shall have the status of a lessee with respect to the SRE Property.
- d. The County consents to Textiles’ assignment of the SRE Property to SRE, the leaseback of the SRE Property by SRE to Textiles, and the assignment of that portion of the tax abatement, if any, applicable to the SRE Property in accordance with the Santana Agreement as amended by this Amendment.
- e. Article III of the Santana Agreement is deleted in its entirety and replaced with the new Article III attached as **Exhibit “3”** hereto and made a part hereof. Exhibit 2 of this Amendment is Exhibit “G” to the Santana Agreement.
- f. Section 5.04 of the Santana Agreement is amended to update the addresses for notices as follows:

If to Santana Textiles, L.L.C.: Santana Textiles, L.L.C.
6502 Republic Drive
Edinburg, Texas 78541
Attention: Roberto Cantu, CEO

If to Santana Real Estate, L.L.C.: Santana Real Estate, L.L.C.
6502 Republic Drive
Edinburg, Texas 78541
Attention: Roberto Cantu, CEO

4. **Effective Date.** Paragraph 3 above becomes effective upon the implementation of the refinancing referenced above, which shall be defined for purposed of this Amendment as the later of the date hereof and the effective date of any of the following: (i) the transfer of any of the Property or Facilities from Textiles to SRE; (ii) SRE and Textiles entering into a lease pursuant to which Textiles will lease the SRE Property to Textiles; and (iii) the commencement date of the lease between Textiles and SRE relating to any of the Property, the Facilities or the Project. Such date is referred to herein as the “**Effective Date**”. SRE and Textiles shall promptly give the County written notice of the occurrence of the Effective Date. On or after June 30, 2015, the County shall have the right to terminate this Amendment on written notice to SRE and Textiles in the event the Effective Date has not occurred or the County has not received written notice from SRE or Textiles that the Effective Date has occurred.

5. **Commissioners Court Authorization.** This Amendment was authorized by Order of the Commissioners Court dated the 14th day of April, 2015, authorizing the County Judge to execute this Agreement on behalf of the County.

6. **Severability.** In the event any paragraph, subparagraph, sentence, phrase or word herein is held invalid, illegal, or unenforceable, the balance of this Amendment and the Agreement shall stand, shall be enforceable and shall be read as if the parties intended at all times to delete said invalid paragraph, subparagraph, sentence, phrase and word. In such event there shall be substituted for such deleted provision as similar in terms and in effect to such deleted provision as may be valid, legal and enforceable.

7. **Applicable Law.** This Amendment shall be construed under the laws of the State of Texas and is performable in Hidalgo County, Texas.

8. **Ratification of Tax Abatement Agreement.** The Agreement, as modified hereby, is ratified and confirmed.

EXECUTED IN TRIPLICATE ORIGINALS as of the 14th day of April, 2015.

SANTANA TEXTILES, L.L.C.

By: _____
Name: Roberto Cantu
Title: CEO

SANTANA REAL ESTATE, L.L.C.

By: _____
Name: Roberto Cantu
Title: CEO

HIDALGO COUNTY, TEXAS

By: _____
Name: Ramon Garcia
Title: Hidalgo County Judge

ATTEST:

Name: Arturo Guajardo, Jr.
Title: Hidalgo County Clerk

APPROVED AS TO FORM FOR COUNTY:

Atlas, Hall & Rodriguez, L.L.P.

By: _____
Stephen L. Crain

Exhibit 1

Proposed Financing Related Restructuring of Project

Summary of information on the proposed financing related restructuring of the Project from Santana Textiles, L.L.C.:

The New Market Tax Credit (NMTC) is a program of the US Department of the Treasury designed to incentivize the infusion of capital in economically distressed areas and thus stimulate the economy. A qualifying project must first be identified in the census tract as an area of high poverty. Other considerations to qualification include regional economic impact, environmental sustainability, community partnerships/support and most importantly, job creation and its effects on minorities in the region. Santana Textiles, L.L.C. (STLLC) is an approved project and the funding is scheduled for closing on January 20th, 2015.

Santana Textiles, L.L.C., owners have contributed in excess of \$27M. A 240,765 square foot facility that is 95% complete, filled with state of the art manufacturing equipment will be in full production with the proceeds of this loan. The STLLC NMTC loan requires the creation of two wholly owned, owner controlled subsidiaries: Santana Leverage Lender, Inc., and Santana Real Estate, L.L.C. These are the entities that we ask Hidalgo County Commissioners Court to acknowledge and support. The Hidalgo County tax abatement agreement is tremendously important in the financial model considered for funding.

More specifically, Santana Textiles, L.L.C., has carved out three independent structures (administration, cafeteria, and water treatment plant) for a sale (at cost) to Santana Real Estate, L.L.C., and they will then be leased back to STLLC. Both entities are wholly owned and operated by the same owners. No third parties involved.

The timeline for this transaction is as follows:

April 2015 – New Market Tax Credit funding
July 2015 – completion of construction and equipment installation
August 2015 – equipment start-up and trial production runs
September 2015 – full production

Exhibit 2
(As of the Effective Date, Exhibit G to the Santana Agreement)

Description of SRE Property

Lot 6-A and Lot 6-B, REPLAT OF AMENDED PLAT OF Lot 6, NORTH INDUSTRIAL PARK, an Addition to the City of Edinburg, Hidalgo County, Texas, according to Map or Plat thereof filed in the Office of the County Clerk of Hidalgo County, Texas on January 22, 2015, under Clerk's Document No. 2580366.

Together with easements created under that certain Declaration of Reciprocal Easements, dated January 22, 2015, filed for record in the Office of the County Clerk of Hidalgo County, Texas on January 22, 2015, under Clerk's Document No. 2580295, executed by Santana Textiles, L.L.C., a Texas limited liability company, Declarant.

Exhibit 3

Replacement Article III for Santana Agreement

ARTICLE III
PROPERTY SUBJECT TO TAX ABATEMENT

RATE OF TAX ABATEMENT

TERM OF TAX ABATEMENT AND RELATED PROVISIONS

3.00 Pursuant to Owner's restructuring of the Project (the "Restructuring") approved by the County on April 14, 2015, a portion of the Property (the "SRE Property") was assigned to Santana Real Estate, L.L.C. (the Lessor") and leased back pursuant to a written lease (the "Lease") by Owner, who continues to own the remaining portion of the Property. The SRE Property is described on Exhibit "G" attached hereto and made a part hereof.

3.01 A tax abatement, as described herein, shall be granted in each year of the Abatement Period on all newly created value on the Property to the extent that such value is reflected on the tax rolls of the Hidalgo County Appraisal District (the "Tax Rolls") in each such year, but not including any increase in valuation due to reclassification or change in use of the Property or, in accordance with Section 1.02 above, any other increase other than as a result of direct investment by Owner or Lessor in the Property.

3.02 The applicable tax abatement percentage rate under this Agreement shall be in accordance with the Guidelines and Criteria and shall be fixed by the parties through an addendum to this Agreement after evidence of the cost of the Improvements constructed or installed by Owner or Lessor is certified by Owner or Lessor, as the case may be, and approved by the County.

3.03 In accordance with Section IX.C. of the Guidelines and Criteria, neither Owner nor Lessor shall have the right, without the consent of the County, to assign all or part of its interest in the Property and maintain the tax abatement hereunder. Owner and Lessor acknowledge and agree that the County's consent to the partial assignment as part of the Restructuring does not waive the requirement of obtaining the County's consent to any additional assignment.

3.04 The abatement of ad valorem taxes shall be for a period of ten (10) years that shall (a) commence on the commencement of the first ad valorem tax year after each of the following

events have occurred: (i) the Project has been completed, (ii) the Owner or Lessor has provided documentation confirming amount expended by the Owner and Lessor on the Project, (iii) the new value created may be ascertained from the Tax Rolls, and (iv) the new value or jobs created meets or exceeds the minimum amount required by the Guidelines and Criteria for granting tax abatements and (b) end on the earlier of (i) ten (10) years following such commencement, (ii) December 31, 2020, (iii) the occurrence of any event which would terminate this Agreement by operation of law, (iv) Owner’s breach of any provision of this Agreement, which breach is not cured within the Cure Period (as defined below), (v) Owner’s or Lessor’s failure to comply with any provision of the Guidelines and Criteria as discussed in Article V of this Agreement and (iv) with respect only to the tax abatement, if any, applicable to the SRE Property, the end of the ad valorem tax year in which the expiration of the Lease (as such Lease may be extended by Lessor and Owner prior to such expiration).

3.05 The percent of value to be abated is for the Property other than the SRE Property is dependent upon the greater of the newly created value (as defined in the Guidelines and Criteria, “Newly Created Value”) in the Project to the extent that such cost is reflected in the tax rolls of the Hidalgo County Appraisal District, or the number of full-time Jobs created. With respect to the SRE Property, the abatement for the Lessor will be the applicable amount set forth below based on the Newly Created Value to the extent reflected in the tax rolls of the Hidalgo County Appraisal District and the abatement for the Owner as lessee of the SRE Property will be based on the number of full-time Jobs created by the Project.

Percent of Increase in Property Value To be Abated	Newly Created Value	Number of Jobs Created
0%	Less than \$1,500,001	0 – 25
25%	\$1,500,001 up to and including \$5,000,000	26 – 50
50%	Over \$5,000,000 up to and including \$10,000,000	51 – 100
80%	Over \$10,000,000	101 or more

The amount of Newly Created Value may be less than or equal to but will not be greater than the amount expended by the Owner or by the Lessor and Owner as lessee, as applicable, on the project pursuant to this Agreement. As provided for in Section III.G.(5) and (6) of the Guidelines and Criteria, tax abatement shall be subject to increases or decreases in subsequent tax years based on the level of jobs added or lost and changes in the Taxable Property Value. Therefore, Owner and Lessor shall certify annually to the County the level of Jobs added or lost by providing a current payroll report listing all Jobs. Likewise, if additional capital investments are made, any resulting Newly Created Value will be added to the original Newly Created Value to determine a qualifying tax abatement increase in accordance with the Guidelines and Criteria, which also provide for decreases in certain circumstances. The estimated value of the abatement, based on the Owner's and Lessor’s good faith estimate of how the Appraisal District of Hidalgo

County will value the eligible improvements, including the base year value is \$171,700,000.00 of Newly Created Value. County may cancel or modify this Agreement if Owner or Lessor fails to comply with the terms and provisions of this Agreement.

3.06 Owner and Lessor shall have the right to protest and contest in accordance with applicable law any and all appraisals or assessments of the Property, or of the improvements thereon, and the tax abatement provided for herein for such Property shall be applied to the amount of taxes finally determined, as a result of such protest or contest, to be due for such Property.