

**FIRST AMENDMENT TO
INTERLOCAL AGREEMENT**

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the Parties hereby agree that this agreement (the "Amendment") shall be supplemental to and amend that certain Interlocal Agreement executed between the CITY, the COUNTY, the ZONE, and the DEVELOPER, on the 17th day of March, 2015, (the "Interlocal Agreement"), and that all defined terms contained in this Amendment shall have the meanings assigned in the Interlocal Agreement unless expressly indicated otherwise herein. The terms and conditions set forth and agreed to in the Interlocal Agreement remain binding on the Parties as amended and supplemented by this Amendment.

I. PARTIES & INDEX

A. Parties

1. THIS AMENDMENT is made by and between the **CITY OF MCALLEN, TEXAS** (hereafter referred to as the "CITY"), a Texas Home Rule Municipality, acting through its City Manager pursuant to Ordinance No. 2015-79, passed and approved by the City Commission on September 15, 2015; **HIDALGO COUNTY**, a political subdivision of the State of Texas, acting through its County Judge pursuant to authority granted by the Hidalgo County Commissioners Court on September 15, 2015 (hereafter referred to as the "COUNTY"); the **TAX INCREMENT REINVESTMENT ZONE NUMBER ONE (1), CITY OF MCALLEN, TEXAS**, a reinvestment zone created by the CITY pursuant to Chapter 311 of the Texas Tax Code (hereafter referred to as the "ZONE"), acting by and through its duly authorized Board of Directors (the "ZONE BOARD"), established to administer manage and/or operate the ZONE pursuant to Sections §311.009(b) and 311.010, Texas Tax Code, as well as to implement and fund the Project and Supplemental Project (as such term is defined below); the **TRES LAGOS PUBLIC IMPROVEMENT DISTRICT** (hereafter referred to as the "PID"), and **RHODES ENTERPRISES, INC.**, the developer, its successors and assigns (hereafter referred to as "DEVELOPER"). Collectively, the CITY, COUNTY, ZONE, PID, and DEVELOPER may be referred to as the "Parties." This Amendment is made pursuant to Chapter 791 Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of the CITY, the ZONE BOARD, the DEVELOPER, and the COUNTY in the Supplemental Project.

B. Parts Incorporated

All of the following described exhibits, as amended hereby, are hereby incorporated into this Amendment by this reference for all purposes:

- Exhibit "I" Amended and Supplemental Project and Finance Plan Approved by the ZONE BOARD on August 27, 2015 and by the Commission of the CITY on September 15, 2015; and
- Exhibit "II" Interlocal Agreement executed between the CITY, the COUNTY, the ZONE, and the DEVELOPER, on the 17th day of March, 2015, and its respective Exhibits and Attachments.
- Exhibit "III" Map and description of +/- 100 acre tract within the Project which is to be conveyed from DEVELOPER to CITY for the Supplemental Project.

Exhibit "IV" Map and description of two tracts located east of the Project which are to be conveyed by CITY to DEVELOPER.

II. DEFINITIONS

All defined terms used in this Amendment shall have the meanings assigned to such terms in the Interlocal Agreement. In addition, the following defined terms shall have the following meanings:

1. "4B CORPORATION" has the meaning set forth in Section V.C.1 below.
2. "4B CORPORATION Payments" has the meaning set forth in Section IV.A.3 below.
3. "Additional Available Tax Increment" shall mean (1) as to the CITY, 20% of the CITY's Aggregate Available Tax Increment (as defined below); and (2) as to the COUNTY, 23% of the COUNTY's Aggregate Available Tax Increment.
4. "Additional Payments" has the meaning set forth in Section V.D.1. below.
5. "Aggregate Available Tax Increment" shall mean (1) as to CITY, an amount calculated as a millage rate per \$100 of Captured Appraised Value of real property in the Zone that equals 100% of the CITY's M&O Tax Rate as levied, collected, and allocated to the general fund (i.e., excluding only the portion of the CITY's property tax rate that is apportioned for payment of outstanding general obligation bonded indebtedness commonly referred to as the "interest and sinking fund rate"); and (2) as to COUNTY, an amount calculated as a millage rate per \$100 of Captured Appraised Value of real property in the Zone that equals 100% of the COUNTY's M&O Tax Rate levied, collected and allocated to the general fund (excluding only that portion of the COUNTY's property tax rate that is apportioned for payment of outstanding general obligation bond indebtedness commonly referred to as the "interest and sinking fund rate."). To avoid doubt, for both the CITY and the COUNTY, the Available Tax Increment, as defined in the Interlocal Agreement, (80% with respect to the CITY and 77% with respect to the COUNTY) and the Additional Available Tax Increment together amount to the Aggregate Available Tax Increment.
6. "Amendment" has the meaning set forth in the introductory paragraph above.
7. "CITY" has the meaning set forth in Section I.A.1. above.
8. "CITY's Additional Pledge" has the meaning set forth in Section V.A. below.
9. "CITY's Approved Pre-TIRZ Administrative Costs" shall mean the CITY's out-of-pocket Administrative Costs incurred prior to December 22, 2014, in the amount of \$70,000.00.
10. "Combined Original Tax Increment" has the meaning set forth in Section III.B below.
11. "COUNTY" has the meaning set forth in Section I.A.1. above.
12. "COUNTY's Additional Pledge" has the meaning set forth in Section IV.A.1. below.
13. "DEVELOPER" has the meaning set forth in Section I.A.1. above.
14. "DEVELOPER's Pledge" has the meaning set forth in Section VI.A.2. below.
15. "Educational Facilities Lease" has the meaning set forth in Section V.C.1. below.
16. "Educational Facilities Project Interlocal Funding Agreement" has the meaning set forth in Section V.C.1. below.
17. "Interlocal Agreement" has the meaning set forth in the introductory paragraph above, and is attached hereto as Exhibit "IP".
18. "Letter of Intent" shall mean that certain letter of intent anticipated between The Texas A&M University System, Texas A&M University, the COUNTY and the CITY dated September 15, 2015, relating to the Texas A&M University campus to be developed as part of the Supplemental Project.
19. "LGC" has the meaning set forth in Section V.C.1. below.
20. "LOC" has the meaning set forth in Section VI.A.3.(e). below.
21. "Original Project and Finance Plan" shall mean the Project and Finance Plan approved by the CITY for the original Project and which is attached as Exhibit "A" to the Interlocal Agreement.
22. "Participating Taxing Entity" shall mean the CITY and the COUNTY.
23. "Parties" has the meaning set forth in Section I.A.1. above.
24. "PID" has the meaning set forth in Section I.A.1. above.
25. "PID Assessment" has the meaning set forth in Section VI.A.3. below.
26. "Pledged PID Revenues" has the meaning set forth in Section VI.A.3. below.

27. "Proposed Supplemental Educational Facilities Project Financing Structure" has the meaning set forth in Section V.C.1. below.
28. "Separate Additional Funds" has the meaning set forth in Section V.D.1 below.
29. "Soft Project Costs" shall mean those costs identified as "Soft Project Costs" in the Project and Finance Plan, Exhibit 5, Sources and Uses Table, that are related to the Supplemental Project.
30. "Supplemental Debt Service Shortfall" has the meaning set forth in Section IV.A.3. below.
31. "Supplemental Educational Facilities Contract Revenue Bonds" shall mean the contract revenue bonds, as further described in Section V.C.1. hereof, issued by the CITY or the LGC on behalf of the CITY, in the face amount of +/- \$10,000,000.00 to finance the construction of the Supplemental Educational Facilities Project.
32. "Supplemental Educational Facilities Project" shall mean the construction of a building and related site work to serve as the initial buildings for the new Texas A&M University campus to be located on a +/- 100 acre tract within the Project, with a CITY contribution of approximately \$10,000,000.00, toward the more than approximately \$50,000,000.00 of buildings to be constructed in phase one of the campus.
33. "Supplemental Educational Facilities Project Costs" shall mean the costs of Supplemental Project improvements that are eligible for reimbursement under Chapter 311 of the Texas Tax Code, as described in the Supplemental Project and Finance Plan, and which shall not exceed \$10,000,000.00.
34. "Supplemental Master Infrastructure Taxable Certificates of Obligation" shall mean the certificates of obligation, as further described in Section V.C.2. hereof, issued by the CITY to raise the amount of +/- \$24,500,000.00 to finance the Supplemental Master Infrastructure Project.
35. "Supplemental Master Infrastructure Project" shall mean the construction of the infrastructure for the tract whereupon the Supplemental Educational Facilities Project will be located and included in the Original Project and Finance Plan to be completed in Phase I of the Project.
36. "Supplemental Project" shall mean the Supplemental Educational Facilities Project and the Supplemental Master Infrastructure Project.
37. "Supplemental Project and Finance Plan" shall mean the Supplemental Project and Finance Plan approved by the ZONE BOARD on August 27, 2015, and by the Commission of the CITY on September 15, 2015, a copy of which is attached hereto as Exhibit "I".
38. "Supplemental Project Obligations" shall mean the Supplemental Educational Facilities Contract Revenue Bonds and the Supplemental Master Infrastructure Taxable Certificates of Obligation.
39. "ZONE" has the meaning set forth in Section I.A.1. above.
40. "ZONE BOARD" has the meaning set forth in Section I.A.1. above.

III. BACKGROUND

- A. On December 22, 2014, the City Commission of the CITY created the ZONE as set forth in the Interlocal Agreement.
- B. On March 17, 2015 the CITY, the COUNTY, the ZONE, and the DEVELOPER approved and executed the Interlocal Agreement to implement and fund the Project and Finance Plan for the ZONE with the CITY contributing 80% and the COUNTY contributing 77% of their respective Aggregate Available Tax Increment during the Term of the ZONE (the "Combined Original Tax Increment"), as more fully described in, and subject to the terms and conditions of, the Interlocal Agreement.
- C. The ZONE BOARD and the CITY have approved the Supplemental Project and Finance Plan to add the Supplemental Project, and fund the construction of the Supplemental Educational Facilities Project, through: (a) the CITY pledging an additional 20% of its Aggregate Available Tax Increment during the remaining term of the ZONE; (b) the DEVELOPER assigning 10% of the combined Aggregate Available Tax Increment contributed by the CITY and the COUNTY during years 2015 through 2025 for the payment of Supplemental Educational Facilities Project Costs that would have otherwise been used to reimburse the DEVELOPER under the Project and Finance Plan and the Development Agreement; and, (c) the COUNTY contributing an additional 23% of

its Aggregate Available Tax Increment subject to the terms described in Section IV. of this Amendment.

- D. This Amendment is being executed by the Parties to facilitate the funding and construction of the Supplemental Project pursuant to the Supplemental Project and Finance Plan and the expedited construction of the Phase I improvements pursuant to the Original Finance and Project Plan to facilitate the Supplemental Project.

IV. RIGHTS AND OBLIGATIONS OF THE COUNTY

A. Additional Pledge of Tax Increment Participation by the COUNTY

1. In addition to the agreement by the COUNTY to participate in the ZONE at a rate of 77% as set forth in the Interlocal Agreement, the COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund an additional amount equal to 23% of the revenue generated from the COUNTY M&O Tax Rate as assessed and collected on the Captured Appraised Value within the ZONE, with said additional contribution being subject to the limitations contained herein (the "COUNTY's Additional Pledge").

2. For the purpose of this Amendment, the COUNTY M&O Tax Rate and payments shall be calculated as set forth in section IV(B) of the Interlocal Agreement, including without limitation with respect to resolving conflicts in calculation. The Parties agree that the Administrative Costs that the COUNTY has the right to deduct pursuant to Section IV.B.1 of the Interlocal Agreement shall be deducted from the Tax Increment Payment due pursuant to the Interlocal Agreement and not from the COUNTY's Additional Pledge. In accordance with Section IV.B.9.b. of the Interlocal Agreement, the Parties agree that, notwithstanding anything to the contrary contained herein, in the event any of the property within the Zone is also within the Transportation Zone, during any period with respect to which the COUNTY is obligated to pay part of the tax increment on such real property in the ZONE to the Transportation Zone, in lieu of the aggregate amounts otherwise specified herein and in the Interlocal Agreement, the COUNTY's aggregate contribution to the ZONE with respect to property that is within the overlap between the Transportation Zone and the ZONE shall not exceed fifty percent (50%) of the Applicable M&O Tax Rate.

3. The Parties expressly agree that the COUNTY's Additional Pledge will only be contributed by the COUNTY to the Tax Increment Fund, subject to Section IV.A.4, if for any year the sum of the CITY's Additional Pledge together with the DEVELOPER's Pledge for such tax year is not sufficient to pay the debt service on the Supplemental Educational Facilities Contract Revenue Bonds during such year (the "Supplemental Debt Service Shortfall") and/or there are any amounts outstanding necessary for the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments, as defined below, which have been made by the 4B CORPORATION and not previously reimbursed.

- a. In the event the Supplemental Debt Service Shortfall for any tax year exceeds the amount of the COUNTY's Additional Pledge for such year, the COUNTY shall contribute the full amount of the COUNTY's Additional Pledge for that respective tax year to the Tax Increment Fund and the 4B CORPORATION shall be obligated (as contemplated and described in Section 5.C.1. below) to contribute its available sales tax revenues to the Tax Increment Fund in an amount sufficient to cover the remaining Supplemental Debt Service Shortfall for that respective tax year. Funds contributed by the 4B CORPORATION to cover the remaining Supplemental Debt Service Shortfall for any tax year (after accounting for the full amount of the COUNTY's Additional Pledge for such year) as contemplated and described in Section 5.C.1. below are herein referred to as the "4B CORPORATION Payments."

- b. In the event the Supplemental Debt Service Shortfall for any tax year is less than the amount of the COUNTY's Additional Pledge for such tax year, the COUNTY shall contribute to the Tax Increment Fund, all or a portion of the COUNTY's Additional Pledge equal to: (1) the Supplemental Debt Service Shortfall for such tax year and/or (2) an amount necessary for, and which shall be utilized by, the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments which have been made by the 4B CORPORATION and not previously reimbursed.
- c. To the extent that the COUNTY's Additional Pledge for any tax year is more than (1) any Supplemental Debt Service Shortfall for such tax year and (2) any amounts necessary for the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments which have been made by the 4B CORPORATION and not previously reimbursed, such excess amount shall not be part of the COUNTY's Additional Pledge or contributed to the Tax Increment Fund, and shall instead be retained by the COUNTY and may be used by the COUNTY for any lawful purpose.

4. The Parties agree that in no event shall the COUNTY's Additional Pledge to the Tax Increment Fund and to reimburse the 4B CORPORATION for any 4B CORPORATION Payments exceed an aggregate total of Six Million Eight Hundred Thousand and No/100 Dollars (\$6,800,000.00).

5. The COUNTY's contribution of the COUNTY's Additional Pledge to the Tax Increment Fund is conditioned upon the CITY issuing the Supplemental Educational Facilities Contract Revenue Bonds to fund the Supplemental Project as set forth in the Supplemental Project and Finance Plan attached hereto as Exhibit "I". In the event the CITY does not issue the Supplemental Educational Facilities Contract Revenue Bonds to fund the Supplemental Project as prescribed in the Supplemental Project and Finance Plan, the COUNTY shall have no obligation to contribute the COUNTY's Additional Pledge to the Tax Increment Fund under this Amendment. The Parties hereto agree that all funds contributed by the COUNTY to the Tax Increment Fund pursuant to the COUNTY's Additional Pledge shall only be used to fund debt service payments on the Supplemental Educational Facilities Contract Revenue Bonds to pay the Supplemental Debt Service Shortfall and to pay amounts necessary for the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments not previously reimbursed. The COUNTY's obligation to contribute the COUNTY's Additional Pledge to the Tax Increment Fund shall end when the aggregate contribution made under the COUNTY's Additional Pledge reaches Six Million Eight Hundred Thousand and No/100 Dollars (\$6,800,000.00). The COUNTY'S obligations pursuant to this Amendment shall terminate if the Amendment is not duly approved by the PID's Board of Directors and executed by a duly authorized representative of the PID within thirty (30) days after the date of the County's approval of this Amendment.

B. Tax Increment Payment

The COUNTY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund pursuant to the COUNTY's Additional Pledge, as provided in this Amendment, shall accrue as the COUNTY collects its Aggregate Available Tax Increment. The Parties hereto agree that all ad valorem property taxes collected each year by the COUNTY that are attributable to real property in the ZONE shall first constitute taxes on the Tax Increment Base and after the total amount of taxes on the value of the Tax Increment Base have been collected, then the remaining ad valorem taxes collected shall constitute the taxes collected on the value of the Tax Increment. COUNTY agrees to collect and to deposit any Tax Increment Payment required to be made under the COUNTY's Additional Pledge in the manner set forth in section IV B of the Interlocal Agreement, including, without limitation, that no Tax Increment Payment is due from the COUNTY until the applicable time following delivery to the COUNTY of the required reports and documentation. Such reports and documentation shall include sufficient information on the Supplemental Debt Service Shortfall, the CITY's Additional Pledge, the 4B CORPORATION Payment, the DEVELOPER's Pledge and the debt service obligation to allow the COUNTY and the Hidalgo County

Auditor to confirm the calculation of the amount due, if any, on the COUNTY's Additional Pledge.

C. Rights of the County

The CITY, the COUNTY, and the ZONE agree and acknowledge that the COUNTY is entering into this Amendment and agreeing to the COUNTY's Additional Pledge in reliance on the commitments made by the CITY, the DEVELOPER and the ZONE BOARD to: (a) in the case of the CITY, (i) timely contribute its Tax Increment Payments to the Tax Increment Fund as they become due in accordance with and subject to the terms of the Interlocal Agreement and the CITY's Additional Pledge to the Tax Increment Fund as they become due in accordance with and subject to the terms of this Amendment; (ii) issue and pay the Supplemental Project Obligations in accordance with this Amendment, and (iii) fulfill its obligations with respect to the Interlocal Agreement, this Amendment and the Supplemental Project Obligations; (b) in the case of the DEVELOPER, contribute the DEVELOPER's Pledge and fulfill its obligations with respect to the Interlocal Agreement, this Amendment and the Supplemental Project Obligations, and (c) on the commitment of the ZONE to comply with the Project and Finance Plan and Supplemental Project and Finance Plan. Any failure to fulfill such commitments will be considered a breach of the Interlocal Agreement, as amended by this Amendment, and such breach shall be subject to the cure provisions contained in Section IV.B.6. of the Interlocal Agreement.

V. RIGHTS AND OBLIGATIONS OF CITY AND ZONE

A. Tax Increment Participation by the CITY

In addition to the agreement by CITY to participate in the Zone at a rate of 80% under the terms of the Interlocal Agreement and the Development Agreement, the CITY agrees to participate in the Supplemental Project and Finance Plan for the ZONE by contributing to the Tax Increment Fund an additional amount equal to twenty percent (20%) of the revenue generated from the CITY M&O Tax Rate as levied and collected on the Captured Appraised Value each year during the Term of the ZONE, beginning with the 2015 tax year (the "CITY's Additional Pledge"). The CITY agrees to, and agrees to require the ZONE BOARD to, implement the Supplemental Project and Finance Plan. The CITY's contributions to the Tax Increment Fund of the CITY's Additional Pledge shall end upon the earlier of: (a) the CITY making all required principal and interest payments on the Supplemental Educational Facilities Contract Revenue Bonds using the CITY's Additional Pledge, the DEVELOPER's Pledge, and the COUNTY's Additional Pledge (if required due to a Supplemental Debt Service Shortfall) until such bonds are paid in full; or (b) the ZONE termination date in 2044, whichever occurs first. As a condition of the COUNTY's participation through the COUNTY's Additional Pledge under this Amendment, the Supplemental Finance and Project Plan must be followed and implemented by the City and the ZONE BOARD.

The CITY shall have an obligation to assure that the ZONE BOARD follows and implements the Supplemental Project and Finance Plan. In the event the CITY and/or ZONE fails to appropriately implement the Supplemental Project and Finance Plan, such failure will be considered a breach of the Interlocal Agreement, as amended by this Amendment, and such breach shall be subject to the cure provisions contained in Section IV.B.6. of the Interlocal Agreement.

B. Tax Increment Payment

1. The CITY's obligation to contribute its Tax Increment Payment under the CITY's Additional Pledge to the Tax Increment Fund as provided above in Section V.A. of this Amendment shall accrue as the CITY collects its Tax Increment. The CITY agrees to deposit its first Tax Increment Payment under the CITY's Additional Pledge to the Tax Increment Fund for tax year 2015 by May 1, 2016. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received through January 31, 2016, but only for the tax year 2015 beginning January 1, 2015. For subsequent Tax Increment Payments, the CITY agrees to contribute its Tax Increment Payment under the CITY's Additional Pledge to the Tax Increment Fund annually on or before May 1st (or the first business day thereafter) of each tax

year. Any delinquent deposit of a Tax Increment Payment by the CITY under this Amendment shall be administered as provided in Section 311.013(c) of the Texas Tax Code (or its successor provision).

2. The COUNTY, the CITY and the ZONE expressly agree that the COUNTY and the CITY shall not owe any interest on Tax Increments that have been levied, but not received by the COUNTY or the CITY by the delinquency dates specified herein.

C. Financing of Supplemental Project

1. Supplemental Educational Facilities Contract Revenue Bonds. The CITY shall create a "local government corporation" (the "LGC") pursuant to Subchapter D of Chapter 431 of the Transportation Code to issue two series of contract revenue bonds, a tax-exempt series and a taxable series (collectively, the "Supplemental Educational Facilities Contract Revenue Bonds") to finance the construction of the Supplemental Educational Facilities Project pursuant to Section 1509.003 of the Texas Government Code, as amended.

Pursuant to this proposed financing structure (the "Proposed Supplemental Educational Facilities Project Financing Structure"), the CITY, the LGC, the ZONE and the Development Corporation of McAllen, Inc. (the "4B CORPORATION"), a nonprofit economic development corporation originally created pursuant Section 4B of Article 5190.6, Texas Revised Civil Statutes (now codified primarily in Chapters 501 and 505 of the Local Government Code and known as the Development Corporation Act), would enter into an inter-local agreement (the "Educational Facilities Project Interlocal Funding Agreement") whereby the 4B CORPORATION and the ZONE, from the respective sources set forth herein, would obligate themselves to pay the LGC an amount sufficient to pay debt service on the Supplemental Educational Facilities Contract Revenue Bonds.

The 4B CORPORATION's payment obligation pursuant to the Educational Facilities Project Interlocal Funding Agreement would be subordinate only to the obligation of the 4B CORPORATION to make debt service payments on its outstanding Sales Tax Revenue Bonds, Series 1998. The ZONE's payment obligation pursuant to the Educational Facilities Project Interlocal Funding Agreement would be limited to the availability of Additional Payments, as defined in Section V.D.1. hereof. Pursuant to the Educational Facilities Project Interlocal Funding Agreement, the 4B CORPORATION's source of pledge (its sales tax) would only be utilized to pay debt service on the Supplemental Educational Facilities Contract Revenue Bonds in the event that the Additional Payments would be insufficient to pay such debt service on the Supplemental Educational Facilities Contract Revenue Bonds. The Parties to this Amendment acknowledge that the 4B CORPORATION's pledge of its sales tax and the LGC's issuance of one series of the Supplemental Educational Facilities Contract Revenue Bonds as tax-exempt bonds shall significantly reduce the interest rate paid on the Supplemental Educational Facilities Contract Revenue Bonds.

Pursuant to the Educational Facilities Project Interlocal Funding Agreement, the CITY and the LGC would be required to construct the Supplemental Educational Facilities Project. The CITY and the LGC would also be required to enter into a lease (the "Educational Facilities Lease") with Texas A&M University for such Supplemental Educational Facilities Project. The Educational Facilities Lease would be for a term lasting as long as the Supplemental Educational Facilities Contract Revenue Bonds are outstanding and the lease would require only a nominal lease payment. At such time the Supplemental Educational Facilities Contract Revenue Bonds would be paid in full, the City, pursuant to Section 272.001(j) of the Texas Local Government Code, would donate the Supplemental Educational Facilities Project to Texas A&M University.

The City and the LGC would enter into the Educational Facilities Lease pursuant to Section 1509.001 of the Texas Government Code, as amended, to develop and diversify the economy of this state and eliminate unemployment or underemployment in this state under the authority granted by Section 52-a, Article III, Texas Constitution. The Educational Facilities Lease would necessarily terminate by its own terms should

the Supplemental Educational Facilities Project cease to be operated as an institution of higher education during the time that the Supplemental Educational Facilities Contract Revenue Bonds are outstanding.

The Proposed Supplemental Educational Facilities Project Financing Structure described above and the issuance of the Supplemental Educational Facilities Contract Revenue Bonds by the LGC are contingent on their approval by the Public Finance Division of the Texas Attorney General.

2. Supplemental Master Infrastructure Taxable Certificates of Obligation. The CITY shall issue Certificates of obligation (the “Supplemental Master Infrastructure Taxable Certificates of Obligation”) pursuant to Subchapter C of Chapter 271, Texas Local Government Code (the Certificate of Obligation Act of 1971) to finance the Supplemental Master Infrastructure Project. The Certificates of Obligation shall be secured by a continuing ad valorem tax levied on all taxable property within the CITY, within the limits prescribed by law, and a pledge of the Pledged PID Revenues, as further defined below in Section VI.A.3.

Notwithstanding the CITY’s pledge of city-wide ad valorem taxes to the payment of the Supplemental Master Infrastructure Taxable Certificates of Obligation, city-wide ad valorem taxes shall only be utilized to pay debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation in the event that the Available Tax Increment contributed by the CITY and COUNTY under the Original Project and Finance Plan and the Interlocal Agreement are insufficient, and then only in the event the Pledged PID Revenues are insufficient to pay the debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation. As further described in Section VI.A.3., the Available Tax Increment contributed by the CITY and COUNTY under the Original Project and Finance Plan and the Interlocal Agreement are intended as the primary source of payment of the principal and interest on the Supplemental Master Infrastructure Taxable Certificates of Obligation, and the Pledged PID Revenues are intended as the initial source of payment until the said Available Tax Increment is sufficient to pay the debt service. Further, the Pledged PID Revenues are intended as the secondary source of payment to the extent Available Tax Increment is insufficient to pay all of the said debt service on an annual basis.

The Parties to this Amendment acknowledge that the City’s pledge of city-wide ad valorem taxes to the payment of the Supplemental Master Infrastructure Taxable Certificates of Obligation shall significantly reduce the interest rate paid on the Supplemental Master Infrastructure Taxable Certificates of Obligation.

3. Each Participating Taxing Entity and Party shall participate in the payment of the Supplemental Educational Facilities Project Costs only to the extent described herein. The CITY, PID, and/or the ZONE shall be entitled to enter into any other agreements for the CITY, the PID or the ZONE to pay the costs of the Supplemental Project and other reasonable expenses from the Available Tax Increments paid into the Tax Increment Fund without the consent of any other Participating Taxing Entity, but they will provide notice of such agreement(s) to each Participating Taxing Entity.

D. Disbursement of Separate Additional Funds in the Tax Increment Fund

1. Each Participating Taxing Entity agrees the ZONE BOARD shall administer the Tax Increment Fund on behalf of the ZONE, pursuant to Ordinance No. 2014-75 passed and approved by City Commission of the CITY on December 22, 2014 and pursuant to this Amendment. No funds that are deposited in or credited to the Tax Increment Fund as a result of the CITY’s Additional Pledge, the DEVELOPER’s Pledge, or the COUNTY’s Additional Pledge (except for that portion of the COUNTY’s Additional Pledge, if any, which is to be used by the ZONE to pay amounts necessary for the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments not previously reimbursed, all as further described in Section IV.A.3. of this Amendment) (collectively the “Additional Payments”) shall be disbursed from the Tax Increment Fund for any purpose other than paying the costs of issuance for and making debt service payments on the Supplemental Educational Facilities Contract Revenue Bonds that shall be issued by the CITY or the LGC on behalf of the CITY. The Additional Payments shall be accounted

for separately from other funds held within the Tax Increment Fund (the “Separate Additional Funds”), and no payments may be made from the Separate Additional Funds held within the Tax Increment Fund without the prior written approval of the ZONE BOARD. Notice of the amount of Separate Additional Funds used, disbursed, and remaining in the Tax Increment Fund shall be given at least annually to the COUNTY.

2. In the Educational Facilities Project Interlocal Funding Agreement, the CITY and the ZONE shall limit the use of the Separate Additional Funds in the Tax Increment Fund as set forth in the Supplemental Project and Finance Plan, and only for the cost of issuance and repayment of principal and interest on the Supplemental Educational Facilities Contract Revenue Bonds.

3. The Parties agree and covenant that the Additional Payments shall only be used to fund the costs of issuance of and pay debt service on the Supplemental Educational Facilities Contract Revenue Bonds pursuant to the Supplemental Project and Finance Plan; and, that the Available Tax Increment contributed by the CITY and COUNTY under the Original Project and Finance Plan and Interlocal Agreement shall be used as they are received on an annual basis under the following priority: first, to fund the debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation that is due each year that said Supplemental Master Infrastructure Taxable Certificates of Obligation are outstanding; and, second, other uses according to the Priority of Payment set forth in Section 3.7.2 of the Development Agreement. The Parties further agree and covenant that the proceeds from the sale of the Supplemental Educational Facilities Contract Revenue Bonds and Supplemental Master Infrastructure Taxable Certificates of Obligation required to be issued by the CITY, or the LGC, as the case may be, pursuant to this Amendment shall be deposited in the Tax Increment Fund, accounted for separately, and only be used for the respective purposes and under the respective priority of uses as follows:

- (a) Proceeds from the Supplemental Educational Facilities Contract Revenue Bonds: All Proceeds from the Supplemental Educational Facilities Contract Revenue Bonds shall only be used to fund the following costs and expenses in the following priority: first, payment of the CITY’s obligations under the agreement with Texas A&M University, anticipated to be entered into pursuant to the LOI, related to the funding of buildings and related site work according to the Supplemental Project and Finance Plan to provide an initial Texas A&M University campus within the Project; and, second, other uses according to the Priority of Payment set forth in Section 3.7.2 of the Development Agreement.
- (b) Proceeds from the Supplemental Master Infrastructure Taxable Certificates of Obligation: All Proceeds from the Supplemental Master Infrastructure Taxable Certificates of Obligation shall only be used to fund the following costs and expenses in the following priority: first, payment or reimbursement for Project Costs and Soft Project Costs for Phase I of the Project and Supplemental Project infrastructure as approved by the ZONE BOARD; second, payment of City’s Approved Pre-TIRZ Administrative Costs; third, payment of City and County accrued incremental Administrative Costs; and fourth, other uses according to the priority of payment set forth in Section 3.7.2 of the Development Agreement.

VI. RIGHTS AND OBLIGATIONS OF DEVELOPER

A. Agreement by Developer

1. In return for the covenants and agreements made by the CITY, the COUNTY, and the ZONE in this Amendment, the DEVELOPER agrees to faithfully perform its obligations under this Amendment, the Interlocal Agreement and the Development Agreement, including without limitation the obligation to follow and implement the Project and Finance Plan and the Supplemental Project and Finance Plan as that obligation is imposed by the Development Agreement and this Amendment. If the DEVELOPER fails to meet the obligations contained in this Amendment or in the Development Agreement,

it shall constitute a breach of this Amendment and be subject to the cure provisions contained in Section IV.B.6. of the Interlocal Agreement.

2. The Parties acknowledge that the Development Agreement provides the DEVELOPER the right to receive reimbursements for eligible approved Project Costs from the Available Tax Increment deposited in the Tax Increment Fund pursuant to the Project and Finance Plan and the Interlocal Agreement. To assist in the funding of the Supplemental Project, and in partial consideration for the transfer of land between the CITY and DEVELOPER described below, DEVELOPER hereby agrees that during years 2015 through 2025 ten percent (10%) of the amount of the Available Tax Increment contributed by the CITY and the COUNTY to the Tax Increment Fund under the Original Project and Finance Plan, the Interlocal Agreement, and the Development Agreement may be redirected and applied to the payment of debt service on the Supplemental Educational Facilities Contract Revenue Bonds, subject to the terms of this Amendment (the "DEVELOPER's Pledge"). The Parties expressly agree that the DEVELOPER's Pledge will only be contributed by the DEVELOPER towards the Separate Additional Funds if the sum of CITY's Additional Pledge during years 2015 through 2025 of the Zone is not sufficient to pay the debt service on the Supplemental Educational Facilities Contract Revenue Bonds during such years. The Parties further agree that in no event shall the DEVELOPER's Pledge exceed an aggregate amount of Two Million Five Hundred Thousand and No/Hundred Dollars (\$2,500,000.00).

3 The CITY finds that the Supplemental Project promotes the interests of the CITY, and that the Supplemental Project will confer a special benefit on the part of the CITY located within the PID. The Parties expressly agree to the following in relation to the issuance and payment of the Supplemental Master Infrastructure Taxable Certificates of Obligation by the CITY:

- (a) The DEVELOPER hereby agrees and consents to the CITY and PID levying an annual PID assessment pursuant to Texas Local Government Code Section 372.017 (the "PID Assessment") on all property within the PID for the purpose and in the amount necessary to fund the annual debt service payments due on the Supplemental Master Infrastructure Taxable Certificates of Obligation (the "Pledged PID Revenues").
- (b) The PID hereby agrees to take all actions as required by law to cause the levy of the PID Assessment by the CITY for the purpose of funding the initial and supplemental debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation by the PID pursuant to this agreement.
- (c) The PID agrees to deposit the Pledged PID Revenues into the PID fund as the PID Assessments are collected. The Parties agree that after the Pledged PID Revenues are deposited in the PID fund they will be accounted for separately and shall only be used to pay the annual debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation to the extent the amount of Available Tax Increment deposited by the CITY and COUNTY into the Tax Increment Fund pursuant to the Original Project and Finance Plan and the Interlocal Agreement (less the DEVELOPER's Pledge) is insufficient to pay the said debt service for such year. To the extent that the Pledged PID Revenues are required to pay debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation, the PID hereby agrees to take all actions necessary to transfer the necessary Pledged PID Revenues in the PID Fund to the City's interest and sinking fund that will be created for the benefit of the Supplemental Master Infrastructure Taxable Certificates of Obligation.
- (d) The Parties expressly agree that the PID will only be required to contribute the annual Pledged PID Revenues in the event the amount of Available Tax Increment deposited

by the CITY and COUNTY into the Tax Increment Fund pursuant to the Original Project and Finance Plan and the Interlocal Agreement (less the DEVELOPER's Pledge) is, or is projected to be, insufficient to pay the debt service on the Supplemental Master Infrastructure Taxable Certificates of Obligation for such year.

The Parties agree that the PID Assessment levied to fund the Pledged PID Revenues will no longer be levied or assessed once the combined amount of the Available Tax Increment deposited by the CITY and COUNTY into the Tax Increment Fund each year under the Original Project and Finance Plan and the Interlocal Agreement (less the DEVELOPER's Pledge) is equal to 120% or more of the debt service required to be paid on the Supplemental Master Infrastructure Taxable Certificates of Obligation annually.

- (e) The DEVELOPER agrees to provide the CITY with an irrevocable letter of credit (the "LOC") which will be automatically renewed each year in the amount of the annual debt service payment due to be paid on the Supplemental Master Infrastructure Taxable Certificates of Obligation for the year in which the LOC is provided. The first LOC required must be provided to the CITY no less than 30 days prior to the Supplemental Master Infrastructure Taxable Certificates of Obligation being issued. The LOC for each subsequent year must be provided to the CITY no later than January 15th of the year in which it is required to be provided. The LOC for each year will be released upon the PID making the debt service payment of the Supplemental Master Infrastructure Taxable Certificates of Obligation due in each respective year. The DEVELOPER will no longer be required to provide a LOC to the CITY once the combined amount of the Available Tax Increment deposited by the CITY and COUNTY into the Tax Increment Fund (less the DEVELOPER's Pledge) equals 120% of the annual debt service required to be paid on the Supplemental Master Infrastructure Taxable Certificates of Obligation.

B. Rights of Developer

1. The CITY, the COUNTY, and the ZONE agree and acknowledge that DEVELOPER is making the commitments identified herein in reliance on the commitments made by the CITY and the COUNTY to: (a) timely contribute their respective Tax Increment Payments to the Tax Increment Fund as they become due in accordance with and subject to the terms of the Interlocal Agreement, (b) timely contribute their respective Additional Pledge to the Tax Increment Fund as they become due in accordance with and subject to the terms of this Amendment; and, (c) on the commitment of the ZONE to comply with the Project and Finance Plan and Supplemental Project and Finance Plan and properly and timely (within 30 days of approval if funds are available) process payments and reimbursements for proper work completed by the DEVELOPER and/or its successors, assigns, contractors or subcontractors.

2. The DEVELOPER shall have the right to serve as Project manager for the construction and installation of all public improvements and public infrastructure identified in the Project and Finance Plan and the Supplemental Project and Finance Plan, save and except for those obligations to be managed by the CITY or Texas A&M University under the Letter of Intent between said parties.

3. The DEVELOPER shall have the right to adjust or prioritize the schedule of construction of improvements within each Phase of the Project, provided that such adjustment or prioritization does not cause a Material Change in the Supplemental Project and Finance Plan.

4. The DEVELOPER shall have the right to use anticipated reimbursements to the DEVELOPER and other rights of the DEVELOPER under this Amendment and the Development Agreement (subject to the DEVELOPER's Pledge) to obtain financing for funding required to construct

improvements within the Project, including the assignment or use of such reimbursements or rights as collateral, or the factoring of such rights and obligations to third parties, subject to the limitations contained in the Development Agreement.

5. The CITY and DEVELOPER agree that the DEVELOPER will convey to the CITY fee simple title to the +/- 100 acre site identified on Exhibit "III" for use as the site for the campus of Texas A&M University; and, in return, the CITY shall convey to the DEVELOPER fee title to the two (2) tracts identified on Exhibit "IV". The CITY and DEVELOPER agree that the value of the +/- 100 acre tract to be conveyed by the DEVELOPER to the CITY together with the DEVELOPER's Pledge exceeds the value of the two (2) tracts which are to be conveyed from the CITY to the DEVELOPER. All conveyances required to be made under this subsection shall be closed within thirty (30) days from the execution of this Amendment with the DEVELOPER and CITY each paying one-half of the closing costs.

VII. TERM AND TERMINATION

A. Term of the ZONE and Termination

This Amendment shall become effective as of the last date of execution by the Parties hereto, and shall remain in effect until December 31, 2044, unless earlier terminated as provided herein.

B. Early Termination

Neither the CITY, the COUNTY, nor the ZONE BOARD shall take any action to terminate the ZONE earlier than the term of the ZONE, except as set forth in the Development Agreement.

C. Disposition of Tax Increments

Upon expiration or termination of the ZONE and after all bonds and/or notes have been paid and all reimbursements have been made, any money from the Separate Additional Funds remaining in the Tax Increment Fund shall be paid to the Participating Taxing Entities on a pro rata basis in accordance with Section 311.014(d) of the Texas Tax Code, or any successor provision thereto. Accounting to determine the pro rata distribution of remaining Separate Additional Funds to the respective taxing entities shall be conducted according to generally accepted accounting principles, and shall be subject to review and audit by the COUNTY upon reasonable request. In the event a discrepancy occurs between the reviews conducted by the CITY and COUNTY, said dispute will be resolved by the respective audit offices of the CITY and COUNTY. In the event the dispute cannot be resolved it shall be submitted to mediation under the rules of the American Mediation Association with a mediator agreed upon by the County Judge of the COUNTY and the City Manager of the CITY.

VIII. MISCELLANEOUS

A. Understanding

Any and all costs, including with respect to the Supplemental Project Obligations, incurred by the CITY, COUNTY or DEVELOPER are not, and shall never become, general obligations or debt of the COUNTY. The Separate Additional Funds in the Tax Increment Fund shall only be used as set forth in the Supplemental Project and Finance Plan and only for the payment of the costs of issuance of and repayment of principal and interest on the Supplemental Educational Facilities Contract Revenue Bonds.

B. Severability

In the event any term, covenant or condition herein contained shall be held to be invalid by any court of competent jurisdiction, such invalidity shall not affect any other term, covenant or condition herein contained.

C. Entire Agreement

The Interlocal Agreement and this Amendment merges the prior negotiations and understandings of the Parties hereto and embodies the entire agreement of the Parties. There are no other agreements, assurances, conditions, covenants (express or implied), or other terms with respect to the covenants, whether written or verbal, antecedent or contemporaneous, with the execution hereof. It is the intent of the Parties that the Interlocal Agreement shall govern the relationship between the Parties regarding the Project and Finance Plan, and this Amendment shall govern the relationship of the parties regarding the Supplemental Project and Finance Plan. If a conflict between the language of the Interlocal Agreement and this Amendment occurs that cannot be reasonably resolved to carry forth the intent of the Parties, the language of this Amendment shall prevail. With respect to the COUNTY's obligations, to the extent there is any discrepancy between this Amendment and any exhibit hereto, the terms of this Amendment shall control. All relevant provisions of the Interlocal Agreement shall apply to and be used in the interpretation and enforcement of this Amendment to the extent the same are not in irreconcilable conflict herewith.

Upon the occurrence of any event that allows the CITY to terminate hereunder or under the Interlocal Agreement, the COUNTY shall have the right to withhold tax increment payments under this Amendment until such time as such event is cured, and the COUNTY shall not incur any penalties or interest with respect to any such withheld payments notwithstanding any provision herein to the contrary.

D. Written Amendment

This Amendment may be changed or amended only by a written instrument duly executed on behalf of each Party hereto. All Parties to this Amendment understand and recognize that only the City Commission of CITY and only the Commissioners Court of the COUNTY have authority to approve a change or amendment to this Amendment on behalf of the CITY or the COUNTY, respectively.

E. Notices

All notices required or permitted hereunder shall be in writing and delivered by personal delivery, facsimile or United States Postal Service (certified mail, return receipt requested) and addressed to the respective other Party at the address prescribed in Section I of the Interlocal Agreement, or at such other address as the receiving Party may have theretofore prescribed by notice to the sending Party. Such notices shall be deemed delivered the earlier of: (i) when actually received by personal delivery or facsimile if received during normal business hours and on the next business day if received after normal business hours; or (ii), if sent by the United States Postal Service, on the date indicated by the United States Postal Service on the return receipt as the date on which it was received by the respective other Party.

F. Non-Waiver

Failure of any Party hereto to insist on the strict performance of any of the agreements herein or to exercise any rights or remedies accruing hereunder upon default or failure of performance shall not be considered a waiver of the right to insist on, or to enforce by any appropriate remedy, strict compliance with any other obligation hereunder or to exercise any right or remedy occurring as a result of any future default or failure of performance.

G. Assignment

All Parties to this Amendment understand and recognize that only the City Commission of the CITY and only the Commissioners Court of the COUNTY have authority to approve a delegation or assignment of the COUNTY's or the CITY's rights in this Amendment on behalf of the CITY or the COUNTY, respectively. All Parties further agree that the DEVELOPER shall have the right to assign the

right to receive reimbursements to a third party for the purpose of obtaining financing, or to a related third party without obtaining consent of any other Party, provided that such reimbursements have been approved by the ZONE BOARD and such assignments are made in compliance with the Development Agreement.

H. Successors

This Amendment shall bind and benefit the Parties and their legal successors or assigns. This Amendment does not create any personal liability on the part of any trustee, officer, owner, partner, principal, employee, elected official or agent of a Party to this Amendment.

I. Amendments to Supplemental Project and Finance Plan

The COUNTY acknowledges that it was provided with a copy of the initial preliminary supplemental project and finance plan for review and comment before the Supplemental Project and Finance Plan was finalized and approved by the City Commission of the CITY. The Parties agree that a Material Change to the Supplemental Project and Finance Plan shall not apply to the COUNTY unless the COUNTY approves the change as provided herein. Further, if such amendment to the Supplemental Project and Finance Plan (i) has the effect of directly or indirectly increasing the percentage of Tax Increment to be contributed by the COUNTY; or (ii) increases or reduces the geographical area of the ZONE set forth in the Supplemental Project and Finance Plan, the COUNTY must approve said amendment in order for the amendment to be binding on the COUNTY.

J. Access to Financial Information

The ZONE BOARD agrees to conduct or to cause to be conducted, at a minimum, an annual financial review, a copy of which will be provided to the COUNTY. Furthermore, each Party to this Amendment shall have reasonable access to financial or other information and audit reports regarding the operation of the ZONE, contribution of Tax Increment Payments, including the Additional Payments, to the Tax Increment Fund, and expenditures from the Tax Increment Fund for Project Costs and Supplemental Educational Facilities Project Costs, including all expenditures from the Separate Additional Funds. In addition, the CITY agrees, during the term of this Amendment, to prepare and deliver an annual report to the COUNTY in accordance with Section 311.016 and 311.0101(c), Texas Tax Code. The COUNTY shall have the right to withhold or delay payments to the Tax Increment Fund until such time as it has received the financial report from the CITY for the applicable tax year, and shall not incur any penalties or interest with respect to any such withheld or delayed payments notwithstanding any provision herein to the contrary.

IN WITNESS HEREOF, the CITY OF MCALLEN; HIDALGO COUNTY; DEVELOPER; AND TAX INCREMENT REINVESTMENT ZONE NUMBER ONE (1), CITY OF MCALLEN, TEXAS have made and executed this Amendment in quadruplicate originals on this 15th day of September, 2015.

CITY OF MCALLEN

HIDALGO COUNTY

Jim Darling
City Mayor

Hon. Ramon Garcia
County Judge

ATTEST/SEAL:

ATTEST/SEAL:

Perla Lara
Interim City Secretary

Arturo Guajardo, Jr.
County Clerk

**APPROVED AS TO FORM FOR
THE CITY OF MCALLEN:**

Kevin Pagan, City Attorney

**APPROVED AS TO FORM FOR
HIDALGO COUNTY:**

Atlas, Hall, & Rodriguez, LLP

By: _____
Stephen L. Crain

**DEVELOPER:
RHODES ENTERPRISES, INC.**

Mike Rhodes
President

**REINVESTMENT ZONE NUMBER ONE,
CITY OF MCALLEN, TEXAS
(Tres Lagos Development Project)**

Mike Rhodes
Presiding Officer

ATTEST/SEAL:

Megan J. Clay
Board Secretary

IN WITNESS HEREOF, the TRES LAGOS PUBLIC IMPROVEMENT DISTRICT, of the City of McAllen, Texas, has agreed to and executed this Amendment in quadruplicate originals on this ____th day of September, 2015.

**TRES LAGOS PUBLIC IMPROVEMENT DISTRICT,
CITY OF MCALLEN, TEXAS**

Presiding Officer

ATTEST/SEAL:

Megan J. Clay
Board Secretary

