

**THE STATE OF TEXAS**  
**COUNTY OF HIDALGO**

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**CITY OF MCALLEN**

**AMENDED AND RESTATED  
INTERLOCAL AGREEMENT**

In consideration of the covenants set forth herein, and subject to the terms and conditions herein, the Parties (as defined below) hereby agree to the terms and conditions of this Agreement (as defined below).

**I. PARTIES & INDEX**

**A. Parties**

1. THIS AMENDED AND RESTATED INTERLOCAL AGREEMENT is made by and between (i) the **CITY OF MCALLEN, TEXAS** (hereafter referred to as the "CITY"), a Texas Home Rule Municipality, acting through its City Manager as authorized by the City Commission on December 14, 2015; (ii) **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 December 15, 2015 (hereafter referred to as the "COUNTY"); (iii) 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 (hereinafter referred to as 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 the Supplement Project (as such terms are defined below); (iv) **TRES LAGOS PUBLIC IMPROVEMENT DISTRICT, CITY OF McALLEN, TEXAS**, a public improvement district created by the CITY pursuant to Chapter 372, Texas Local Government Code (hereafter referred to as the "PID"); and (v) **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 Agreement is made pursuant to Chapter 791 of the Texas Government Code and Chapter 311 of the Texas Tax Code for the participation of the CITY and the COUNTY in the Project (as defined below).

2. The initial addresses of the Parties are listed below. Each party may designate a different address by giving the others at least ten (10) days prior written notice.

**If to the CITY, to:**

City of McAllen  
1300 Houston Avenue.  
McAllen, Texas 78501  
Attention: City Manager  
Phone: (956) 681-1000

**With a copy to:**

City of McAllen  
1300 Houston Avenue.  
McAllen, Texas 78501  
Attention: City Mayor  
Phone: (956) 681-1000

**If to the COUNTY, to:**

Hidalgo County  
100 E. Cano, Ste. 201  
Edinburg, Texas 78539-6243  
Re: Tres Lagos TIRZ  
Attention: Honorable Ramon  
Garcia, County Judge  
Phone: (956) 318-2600

**With a copy to:**

Hidalgo County Auditor  
Attn: Ray Eufrazio, CPA  
Re: City of McAllen-TIF Zone #1  
2808 South Business Hwy 281  
Edinburg, Texas 78539  
Phone: (956) 318-2511

**If to the ZONE, to:**

Reinvestment Zone Number One  
c/o City of McAllen  
1300 Houston Avenue.  
McAllen, TX 78501  
Attention: Mike Rhodes,  
Presiding Officer

**With a copy to:**

Reinvestment Zone Number One  
Attention: Board Secretary, Megan  
J. Clay  
601 N W Loop 410, Ste. 390  
San Antonio, Texas 78216

**IF to the PID, to:**

Tres Lagos Public Improvement  
District, City of McAllen,  
Texas  
c/o City of McAllen  
1300 Houston Avenue.  
McAllen, TX 78501  
Attention: Mike Rhodes,  
Presiding Officer

**With a copy to:**

Tres Lagos Public Improvement  
District, City of McAllen,  
Texas  
Attention: Board Secretary, Megan  
J. Clay  
601 N W Loop 410, Ste. 390  
San Antonio, Texas 78216

**If to the Developer, to:**

Rhodes Enterprises, Inc.  
200 S. 10<sup>th</sup> St., Ste. 1400  
McAllen, Texas 78501  
Attention: Mike Rhodes  
Phone: (956) 287-2800

**With a copy to:**

Earl & Associates, P.C.  
601 NW Loop 410, Ste. 390  
San Antonio, Texas 78216  
Phone: (210) 222-1500  
Attn: David L. Earl and Megan J.  
Clay

**B. Index**

This Agreement consists of the following sections:

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**C. Parts Incorporated**

All of the above-described exhibits are hereby incorporated into this Agreement by this reference for all purposes.

**II. DEFINITIONS**

As used in this Agreement, the following terms shall have the meanings set out below:

1. “4B CORPORATION” has the meaning set forth in Section V.D.1 below.
2. “4B CORPORATION Payments’ has the meaning set forth in Section IV.A.3a below.
3. “Additional Available Tax Increment” shall mean (1) as the CITY, 30% of the CITY's Aggregate Available Tax Increment for the years 2015 through 2025 and 20% of the CITY's Aggregate Available Tax Increment for the years 2026 through the remaining Term of the ZONE, and (2) as the COUNTY, 33% of the COUNTY's Aggregate Available Tax Increment for the years 2015 through 2025 and 23% of the COUNTY's Aggregate Available Tax Increment for the years 2026 through the remaining Term of the ZONE.
4. “Additional Payments” has the meaning set forth in Section V.F.1. below.
5. “Administrative Costs” means reasonable costs directly incurred by a Participating Taxing Entity (as hereinafter defined) related to its agreement to participate in the development of the ZONE, as described in this Agreement. These costs include, but are not limited to, costs and expenses for legal review and financial analysis related to the ZONE incurred prior to entering into this Agreement, as well as any such costs and expenses incurred after this Agreement becomes effective. The aggregate reimbursable Administrative Costs for all the combined Participating Taxing Entities, which incur Administrative Costs over the life of the ZONE, shall not exceed an aggregate reimbursement of Four

Hundred Thousand Dollars (\$400,000), representing Three Hundred Thousand Dollars (\$300,000.00) to the CITY and One Hundred Thousand Dollars (\$100,000.00) to the COUNTY.

6. “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 as levied, collected and allocated to the general fund (i.e., excluding only the portion of the COUNTY’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.”) To avoid doubt, for both the CITY and the COUNTY, the Available Tax Increment and the Additional Available Tax Increment together amount to the Aggregate Available Tax Increment.

7. “Agreement” means this Amended and Restated Interlocal Agreement.

8. “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 70% for the years 2015 through 2025, and 80% for the years 2026 through the remaining Term of the ZONE, 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 67% for the years 2015 through 2025, and 77% for the years 2026 through the remaining Term of the ZONE, of the COUNTY’s M&O Tax Rate as levied, collected and allocated to the general fund (i.e., excluding only the portion of the COUNTY’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.”)

9. “Base Year” means the year in which a Tax Increment Reinvestment Zone is created by ordinance or order. The Base Year is 2014.

10. “Captured Appraised Value” means the captured appraised value of the ZONE, as defined by Section 311.012(b), Texas Tax Code (and as said Code may be amended from time to time); e.g., the total appraised value in a given year of all real property taxable by a participating taxing entity and located in the ZONE for that year less the total appraised value of that property in 2014, the Base Year of the ZONE.

11. “CITY” has the meaning set forth in Section I.A.1 above.

12. “CITY’s Additional Pledge” has the meaning set forth in Section V.A.2. below.

13. “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.

14. “CITY M&O Tax Rate” means that portion of the ad valorem tax rate used by the CITY for Maintenance and Operation. The CITY M&O Tax Rate may change from time to time. The CITY M&O Tax Rate as of December 31, 2014 is \$0.4313 per \$100 dollars of valuation on the Captured Appraised Value and may be changed by the CITY during the Term of the ZONE.

15. “COUNTY” has the meaning set forth in Section I.A.1 above.
16. “COUNTY’s Additional Pledge” has the meaning set forth in Section IV.A.3. below.
17. “COUNTY Applicable M&O Tax Rate” for any given year means the lesser of (i) the Base Year M&O Tax Rate and (ii) the County M&O Tax Rate for the given year. The Base Year M&O Tax Rate was \$0.5308 per \$100 dollars of valuation.
18. “COUNTY M&O Tax Rate” means that portion of the ad valorem tax rate used by the COUNTY for maintenance and operation. The COUNTY M&O Tax Rate is subject to change by the COUNTY in accordance with applicable law.
19. “DEVELOPER” has the meaning set forth in Section I.A.1 above.
20. “Development Agreement” means the agreement among the DEVELOPER, the ZONE and the CITY attached hereto as Exhibit C.
21. “Educational Facilities Lease” has the meaning set forth in Section V.D.1. below.
22. “Educational Facilities Project Interlocal Funding Agreement” has the meaning set forth in Section V.C.1. below.
23. “First Amendment” means that certain First Amendment to Interlocal Agreement among the Parties executed September 15, 2015, which amended the Original Agreement.
24. “Letter of Intent” means that certain letter of intent 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.
25. “LGC” has the meaning set forth in Section V.D1. below.
26. “LOC” has the meaning set forth in Section VI.A.3.(e). below.
27. “Original Agreement” means that certain Interlocal Agreement executed between the CITY, the COUNTY, the ZONE, and the DEVELOPER, on the 17<sup>th</sup> day of March, 2015,
28. “Original Project and Finance Plan” shall mean the final project and finance plan for the ZONE approved by the Board of Directors of the ZONES and the City Commission of the CITY for the original Project and attached hereto as Exhibit “A”.
29. “Participating Taxing Entity” means the CITY and COUNTY.
30. “Parties” has the meaning set forth in Section I.A.1 above.
31. “PID” has the meaning set forth in Section I.A.1. above.
32. “PID Assessment” has the meaning set forth in Section VI.A.3.(a) below.
33. “Pledged PID Revenues” has the meaning set forth in Section VI.A.3.(a) below.
34. “Pre-TIRZ Administrative Costs” shall have the meaning given in the Original Project and Finance Plan.

35. "Project" means the Tres Lagos Development Project, as that project is more specifically identified in the Original Project and Finance Plan.

36. "Project Costs" mean the costs of the Public Infrastructure Improvements, eligible for reimbursement under Chapter 311 of the Texas Tax Code, as described in the Original Project and Finance Plan. The Project Costs in the aggregate for the life of ZONE are estimated to be Two Hundred Thirty-Two Million Three Hundred Ninety-Six Thousand Three Hundred Fifteen and No/100 Dollars (\$232,396,315.00), plus an estimated Twenty Six Million One Hundred Forty-Four Thousand Five Hundred Eighty-Five and No/100 Dollars (\$26,144,585.00) in applicable qualifying interest costs for a total of Two Hundred Fifty-Eight Million Five Hundred Forty Thousand Nine Hundred One and No/100 Dollars (\$258,540,901.00) as more completely set forth in Exhibit "A".

37. "Proposed Supplemental Educational Facilities Project Financing Structure" has the meaning set forth in Section V.D.1. below.

38. "Public Infrastructure Improvements" mean those certain public improvements to be constructed as part of the Project and described in the Original Project and Finance Plan as being public improvements the cost of which will be reimbursed out of either: (i) the Available Tax Increment or (ii) Tax Increment Bonds which will be repaid out of the Available Tax Increment.

39. "Separate Additional Funds" has the meaning set forth in Section V.F.1 below.

40. "Soft Project Costs" mean those costs identified as "Soft Project Costs" in the Original Project and Finance Plan, Exhibit 5, Sources and Uses Table, that are related to the Supplemental Project.

41. "Supplemental Debt Service Shortfall" has the meaning set forth in Section IV.A.3. below.

42. "Supplemental Educational Facilities Contract Revenue Bonds" mean the contract revenue bonds, as further described in Section V.D.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.

43. "Supplemental Educational Facilities Project" means 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.

44. "Supplemental Educational Facilities Project Costs" means 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.

45. "Supplemental Master Infrastructure Taxable Certificates of Obligation" means the certificates of obligation, as further described in Section V.D.2. hereof, issued by the CITY to raise the amount of +/- \$24,500,000.00 to finance the Supplemental Master Infrastructure Project.

46. "Supplemental Master Infrastructure Project" means 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.

47. “Supplemental Project” means the Supplemental Educational Facilities Project and the Supplemental Master Infrastructure Project.

48. “Supplemental Project and Finance Plan” means the Supplemental Project and Finance Plan approved by the ZONE BOARD on November 18, 2015, and by the Commission of the CITY on December 14, 2015, a copy of which is attached hereto as Exhibit “D”.

49. “Supplemental Project Obligations” means the Supplemental Educational Facilities Contract Revenue Bonds and the Supplemental Master Infrastructure Taxable Certificates of Obligation.

50. “Tax Increment” for a Participating Taxing Entity means the total amount of ad valorem taxes levied and collected each year by that Participating Taxing Entity each year on the Captured Appraised Value of taxable real property in the ZONE. Further, with respect to the COUNTY, this term shall be further limited to the total amount of ad valorem taxes levied and collected only on behalf of the COUNTY each year.

51. “Tax Increment Base” means the total appraised value of all real property taxable by a Participating Taxing Entity and located in the ZONE as of January 1, 2014 the year in which the ZONE was designated.

52. “Tax Increment Fund” means the tax increment fund created by the CITY for the deposit of Available Tax Increments for the ZONE, entitled “Reinvestment Zone Number One City of McAllen, Texas Tax Increment Fund,” which fund must be segregated and kept apart from any other funds of the CITY and may only be used to pay for expenses and costs approved by the Board of Directors for the ZONE.

53. “Tax Increment Payment” means the Available Tax Increment that a Participating Taxing Entity is required to deposit annually into the Tax Increment Fund in accordance with this Agreement and the Project Plan.

54. “Term of the ZONE” has the meaning set forth in Section III. A., below.

55. “Transportation Zone” means Transportation Reinvestment Zone Number Two, Hidalgo County.

56. “ZONE” has the meaning set forth in Section I.A.1. above.

57. “ZONE BOARD” has the meaning set forth in Section I.A.1 above.

### **III. BACKGROUND**

A. A Resolution No. 2014-51 approved by the CITY Commission of CITY on October 27, 2014, expressed the CITY’s intent to create a tax increment financing reinvestment zone and to participate in the ZONE at a level of 80% of the CITY M&O Tax Rate to support revitalization and development activities for the ZONE, commonly known as the Tres Lagos TIRZ, pursuant to Chapter 311, Texas Tax Code. On November 18, 2014, the COUNTY, by resolution, expressed its intent to participate in the ZONE at a level of 77% of the COUNTY M&O Tax Rate. On December 22, 2014, the City Commission of the CITY passed and approved Ordinance No. 2014-75, which created the ZONE over the property contained in the ZONE, a legal description of which is contained in Exhibit “A” to the Development Agreement, and by which the CITY agreed to be bound to an interlocal agreement by and among the CITY, the COUNTY, the ZONE, and the DEVELOPER, pursuant to Section 311.013 of the Texas Tax Code. The ZONE is projected to terminate on December 31, 2044, unless earlier termination occurs under this Agreement (the “Term of the ZONE”).

**B.** The CITY approved the preliminary project and finance plan on December 22, 2014. The CITY and the COUNTY agree to participate in the ZONE and to deposit their respective Tax Increment Payments to the Tax Increment Fund, in accordance with the terms, and in consideration for the agreements, set forth herein. The Tax Increment Fund was authorized by Ordinance No. 2014-75, attached hereto as Exhibit "B." The COUNTY hereby acknowledges receipt of notice of the initial creation of the ZONE. The CITY represents and warrants that it has found that it has complied with, and has complied with all legal requirements and notice requirements in the creation of the ZONE.

**C.** On March 17, 2015, the CITY, the COUNTY, the ZONE, and the DEVELOPER approved and executed the Original Agreement, which was amended on September 15, 2015 by the approval and execution by the Parties of the First Amendment. The Parties have agreed to enter into this Agreement, which will further amend, and fully restate, the Original Agreement as previously amended by the First Amendment, in order to implement and fund the Original Project and Finance Plan and the Supplemental Project and Finance Plan for the ZONE. As further described and subject to the terms of this Agreement, the CITY will contribute 70% and the COUNTY will contribute 67% of their respective Aggregate Available Tax Increment during the years 2015 through 2025, and thereafter through the remaining Term of the ZONE the CITY will contribute 80% and the COUNTY will contribute 77% of their respective Aggregate Available Tax Increment.

**D.** 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 30% of its Aggregate Available Tax Increment in the years 2015 through 2025 and thereafter through the remaining Term of the ZONE by pledging an additional 20% of its Aggregate Available Tax Increment; and (b) the COUNTY contributing an additional 33% of its Aggregate Available Tax Increment in the years 2015 through 2025 and thereafter through the remaining Term of the ZONE by contributing an additional 23% of its Aggregate Available Tax Increment, all subject to the terms described in Sections IV and V of this Agreement.

**E.** This Agreement is being executed by the Parties to facilitate the funding and construction of the Project pursuant to the Original Project and Finance Plan and 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. Tax Increment Participation by the COUNTY**

1. Subject to the limitations set out in this Agreement, the COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund an amount equal to (a) 67% of the revenue generated from the COUNTY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year in the years 2015 through 2025, and (b) 77% of the revenue generated from the COUNTY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year beginning in the year 2026 through the remaining Term of the ZONE. For the purpose of this Agreement the COUNTY M&O Tax Rate shall be calculated as set forth in Section IV.B of this Agreement. In no event shall the COUNTY contribution to the Tax Increment Fund pursuant to this Section IV.A.1 be greater than One Hundred Forty-Three Million Three Hundred Eighteen Thousand Four Hundred Eighty-Four and No/100 Dollars (\$143,318,484.00) over the life of the ZONE (which for purposes of this provision will be deemed to end no later than December 31, 2044) beginning with the 2015 tax year.

2. The Parties hereto agree that the COUNTY's contribution to the Tax Increment Fund pursuant to Section IV.A.1 above shall be used to fund Project Costs including construction of Public Infrastructure Improvements to support the development and revitalization efforts in the ZONE. The COUNTY's contributions to the Tax Increment Fund pursuant to Section IV.A.1 above shall end when it has contributed the maximum total contribution provided for herein of One Hundred Forty-Three Million Three Hundred Eighteen Thousand Four Hundred Eighty-Four and No/100 Dollars (\$143,318,484.00), or when it has made contributions of all Tax Increment Payments, as specified in the Project Plan, attributable to all periods through the end of the COUNTY's fiscal year 2044 (ending on December 31, 2044), whichever occurs first. The COUNTY's continued contribution to the Tax Increment Fund pursuant to Section IV.A.1 above is conditioned upon the DEVELOPER's continuing the Project and being in full compliance with the Development Agreement and on the continued existence of the ZONE. In the event the DEVELOPER has been found to be in Default, as said term is defined in Section 7.1 of the Development Agreement (hereinafter "Default"), the COUNTY may withhold its contributions without incurring penalty or interest until such time as the non-compliance has been remedied.

3. In addition to the agreement by the COUNTY pursuant to Section IV.A.1. above to participate in the ZONE at a rate of 67% in the years 2015 through 2025 and 77% in the years 2026 through the remaining Term of the ZONE, the COUNTY agrees to participate in the ZONE by contributing to the Tax Increment Fund an additional amount equal to 33% in the years 2015 through 2025 and 23% in the years 2026 through the remaining Term of the ZONE of the revenue generated from the COUNTY M&O Tax Rate as assessed and collected on the Captured Appraised Value with the ZONE, with said additional contribution being subject to the limitations contained herein (the "COUNTY's Additional Pledge"). The COUNTY's Additional Pledge will only be contributed by the COUNTY to the Tax Increment Fund, subject to Section IVA.4, if for any year the CITY's Additional 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 that have been made by the 4B CORPORATION and not previously reimbursed. 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).

- 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 V.D.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 V.D.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: (i) the Supplemental Debt Service Shortfall for such tax year and/or (ii) an amount necessary for, and which shall be utilized by, the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments that 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 (i) any Supplemental Debt Service Shortfall for such tax year, and (ii) any amounts necessary for the ZONE to reimburse the 4B CORPORATION for any 4B CORPORATION Payments that 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.
- d. 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 "D". 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 Agreement. 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).

4. The Administrative Costs that the COUNTY has the right to deduct pursuant to Section IV.B.1 of this Agreement shall be deducted from the Tax Increment Payment due pursuant to Section IV.A.1. above and not from the COUNTY's Additional Pledge. In accordance with Section IV.B.9.b. hereof, 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, 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.

5. The CITY, the COUNTY, and the ZONE agree and acknowledge that the COUNTY is 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 this 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 Section V.A.2. hereof; (ii) issue and pay the Supplemental Project Obligations in accordance with this Agreement, and (iii) fulfill its obligations with respect to this Agreement and the Supplemental Project Obligations; (b) in the case of the DEVELOPER, fulfill its obligations with respect to this Agreement and the Supplemental Project Obligations, and (c) on the commitment of the ZONE to comply with the Original Project and Finance Plan and the Supplemental Project and Finance Plan. Any failure to fulfill such commitments will be considered a breach of this Agreement and such breach shall be subject to the cure provisions contained in Section IV.B.6. of this Agreement.

**B. Tax Increment Payment**

1. The COUNTY’s obligation to contribute its Tax Increment Payment to the Tax Increment Fund, as provided in Section IV.A. of this Agreement, 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. The Parties agree that COUNTY shall have the right to deduct 1/30 of the COUNTY’s pro-rata portion of Administrative Costs per year (1/30 of \$100,000.00, or \$3,333.33 per year) prior to contribution of its Tax Increment Payment described in Section IV.A.1 above into the Tax Increment Fund. The COUNTY agrees to deposit its first Tax Increment Payment to the Tax Increment Fund for tax year 2015 by the later of: (i) collection reports having been provided to the Hidalgo County Auditor’s Office; (ii) May 1, 2016; or (iii) 30 days after the full execution and delivery of this Agreement by all Parties. The amount of the first Tax Increment Payment shall be based on the Tax Increments that were received up to January 31, 2016, but only for tax year 2015, beginning January 1, 2015. For subsequent payments, the COUNTY agrees to contribute its yearly Tax Increment Payment to the Tax Increment Fund annually not later than the 90<sup>th</sup> day after the delinquency date for the COUNTY’s property taxes (or the first business day thereafter) following the end of each tax year. The amount of each Tax Increment Payment shall be based on the Tax Increments that are received up to January 31<sup>st</sup> following the end of the tax year, but which have not been previously deposited in the Tax Increment Fund, during the annual periods preceding each deposit date. Under no circumstances shall the COUNTY be required to participate in the ZONE with taxes attributable to periods after 2044.

*The chart below is for illustrative purposes only and is an example of how the payment calculation is calculated by the COUNTY. Assuming for the purpose of this example, the tax value of the zone is \$100,000.00, the base value is \$10,000.00, the Administrative Costs are \$10.00 per year and the overall COUNTY tax rate is \$.0059.*

<b>Tax Increment Reinvestment Zone (TIRZ Payment Calculation)</b>	<b>EXAMPLE</b>
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$100,000.00
(multiplied by) Hidalgo County Current (GHD) Tax Rate (.59/100)	\$0.0059
GHD Actual Tax Level for all real property tax accounts located within the TIRZ	<b>\$590.00</b>
TIRZ Real Property Certified Taxable Value as of January 31 (Provided by Hidalgo County Appraisal District (HCAD))	\$100,000.00
(less) Tax Increment Base	\$10,000.00
	<b>\$90,000.00</b>
Captured Appraised Value	\$90,000.00
(multiplied by) Contribution Rate (County Applicable M&O Tax Rate) (.51/100)	0.0051
Tax Levy Due to TIRZ	<b>\$459.00</b>
Tax Increment (for February 1 through January 31) as per Collections Reports provided by Hidalgo County Tax Office	\$300.00
(divided) GHD Actual Tax Levy for all Real Property tax accounts located within the TIRZ	\$590.00
Percent Collected of Actual Levy	<b>50.85%</b>
Tax Levy Due to TIRZ	\$459.00
(multiplied by) Percent Collected of Actual Levy	50.85%
Purposed Payment Amount	\$233.40
(less) Administration Costs (as per Agreement)	\$10.00
<b>TAX INCREMENT PAYMENT AMOUNT DUE TO TAX INCREMENT FUND</b>	<b>\$223.40</b>

2. One month prior to a payment required under Section IV.B. of this Agreement, the CITY shall provide to the COUNTY the TIRZ annual audit report, an updated fact sheet that includes detail as to

what portion of the Project has been completed to date, a schedule of what portion of the Project is to be completed in the following year and a current roster of the ZONE's board members, including the term of each board member, the entity that appointed the board member, the date for the next annual meeting and a formal request for payment. In preparing this report, COUNTY acknowledges that CITY will be relying on information provided by the DEVELOPER. In addition to and as part of the CITY's fact sheet, the CITY shall supply the COUNTY with all information as required under Section 311.016 of the Texas Tax Code on or before the 90<sup>th</sup> day following the end of the fiscal year of the CITY. Such reports and documentation also shall include sufficient information on the Supplemental Debt Service Shortfall, the CITY's Additional Pledge, the 4B CORPORATION Payment, 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.

3. Pursuant to Chapter 311 of the Texas Tax Code, in the event there is a conflict between the Parties in regards to the amount of the Tax Increment owed by the COUNTY, the Hidalgo County Auditor will make the final determination as to the amount of any Tax Increment owed by the COUNTY under this Agreement. The annual Captured Appraised Value for the real property contained within the ZONE shall be determined by the Hidalgo County Appraisal District on the assessed appraised values and the Hidalgo County Tax Offices' verification of collections in regards to the real property contained with the ZONE.

4. Any delinquent deposit by the COUNTY of a Tax Increment Payment under this Agreement shall be administered as provided in Section 311.013(c) of the Texas Tax Code, which states as follows:

“A taxing unit shall make a payment required by the Subsection (b) [Tax Increment Payment], not later than the 90<sup>th</sup> day after the delinquency date for the unit's property taxes. A delinquent payment incurs a penalty of five percent of the amount delinquent and accrues interest at an annual rate of ten percent.”

The Parties expressly agree that the COUNTY shall not owe any penalty or interest on Tax Increments attributable to taxes that have been levied, but not received by the COUNTY. Further, the COUNTY shall not be liable for the payment of any penalties or interest if the report required to be filed by the CITY under Section 311.016 of the Texas Tax Code is not filed timely; or if the fact sheet, the TIRZ's annual audit report, and/or payment request are not provided to the County timely, or under any other situation in which the CITY does not pay interest or penalties.

5. The CITY and the ZONE agree to provide prior written notice to the COUNTY of a proposed change that would constitute at least a twenty-five percent (25%) increase or decrease in either the Project Costs or the scope and scale of the Project (hereinafter a “Material Change”); provided that any Material Change that is not approved by the COUNTY shall not change the amount of Tax Increment Payments due from the COUNTY. The ZONE BOARD shall have the right to amend and modify the Original Project and Finance Plan or the Supplemental Project and Finance Plan without providing prior written notice to the COUNTY so long as such amendment or modification does not constitute a Material Change.

6. If the CITY, the DEVELOPER or the Board of Directors for the ZONE materially breaches this Agreement, then the COUNTY may provide written notice to the CITY, the DEVELOPER and the ZONE (with a copy to any other Participating Taxing Entity still contributing Tax Increment Payments) demanding that all breaches must be resolved within ninety (90) days.

7. Except for contributing its respective Tax Increment Payments to the Tax Increment Fund as set out in this Agreement, the COUNTY shall not have any obligation or responsibility for any costs or

expenses associated with the development of the ZONE or the implementation of the Original Project and Finance Plan or the Supplemental Project and Finance Plan, including, without limitation, any obligation to pay or repay any bond or other debt issued by another Participating Taxing Entity, the ZONE or the ZONE BOARD relating to the ZONE or any costs associated with the operation of ZONE, the Project or any other projects relating thereto. This provision shall not affect the obligation of the COUNTY under any separate document or agreement related to the Project or its infrastructure (i.e. agreements relating to design and construction of drainage channels or improvements) to which the COUNTY is a signatory.

8. Notwithstanding anything herein to the contrary, the COUNTY's total Tax Increment Payment to the Tax Increment Fund over the Term of the ZONE shall not exceed:

- a. One Hundred Forty-Three Million Three Hundred Eighteen Thousand Four Hundred Eighty-Four and No/100 Dollars (\$143,318,484.00), pursuant to Section IV.A.1, and
- b. Six Million Eight Hundred Thousand and No/100 Dollars (\$6,800,000.00). pursuant the COUNTY's Additional Pledge;

plus any applicable penalty and/or interest allowed in Section 311.013 of the Tax Code, subject to the limitations on Section IV.B.4. hereof.

9. a. *General Provisions.* Subject to changes in the COUNTY M&O Tax Rate that will be addressed as set forth in Section IV.B.9.b. and IV.B.9.c. below and to the other provisions of this Agreement, the COUNTY agrees to participate at the applicable percentages of the COUNTY M&O Tax Rate set forth in Section IV.B.1 (67% or 77% depending on the year) and, if applicable, Section IV.B.3 (an additional 33% or 23% depending on the year and the other terms in Section IV.B.3. above, but never exceeding an aggregate of 100% of the COUNTY M&O Tax Rate) for real property within the Zone, without regard to whether the real property is also within the Transportation Zone. (For example, for tax year 2015, sixty-seven percent (67%) equaling \$.355636 per \$100 valuation on the Captured Appraised Value, assuming no additional pledge.)

b. *Transportation Zone Overlap.* 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 percentages of Applicable M&O Tax Rate specified above, the COUNTY contribution to the ZONE with respect to real property that is within the overlap between the Transportation Zone and the ZONE shall not exceed an aggregate of fifty percent (50%) of the Applicable M&O Tax Rate.

c. *Lower COUNTY M&O Tax Rate.* If the COUNTY M&O Tax Rate is less than \$0.5308 per \$100 valuation on the Captured Appraised Value during a year in the Term of the ZONE, then the maximum tax increment paid by the COUNTY into the Tax Increment Fund for such year shall not exceed sixty-seven percent (67%) or seventy-seven percent (77%), plus, if applicable, the Additional Pledge of up to thirty-three percent (33%) or twenty-three percent (23%), or, with respect to property within an overlap with the Transportation Zone, fifty percent (50%) of the total amount of taxes collected by the COUNTY at the actual COUNTY M&O with respect to such year the COUNTY M&O Tax Rate is less than \$0.5308 per \$100 valuation.

d. *Greater COUNTY M&O Tax Rate.* If the COUNTY M&O Tax Rate is greater than \$0.5308 per \$100 valuation on the Captured Appraised Value during the Term of the ZONE, the COUNTY shall retain all taxes collected in excess of \$0.5308 with respect to any real property within the ZONE per \$100 valuation on the Captured Appraised Value, and to the extent any such excess has been contributed into the Tax Increment Fund, such excess shall be promptly refunded to the COUNTY.

10. COUNTY taxes that are delinquent for more than five years will be considered uncollectible and shall not be included in the Tax Increment Payment.

11. All rollback taxes received from assessments on real property within the ZONE shall be considered Tax Increment and shall be deposited into the Tax Increment Fund, however any penalties and interest received shall not be considered Tax Increment.

### **C. School District Provisions**

The COUNTY understands that the Project is located in the Edinburg Consolidated Independent School District. The City and the Zone represent to the COUNTY that the Edinburg Consolidated Independent School District is not participating in the ZONE by contribution of Tax Increment but may request cooperation in the future with the ZONE BOARD relating to the planning, construction or financing of schools within the ZONE, subject to appropriate approvals.

### **D. Management of the ZONE**

1. The ZONE shall in all respects be managed by the ZONE BOARD, including the Director appointed by the CITY. The ZONE BOARD shall have all powers allowed under Chapter 311 of the Texas Tax Code to manage the ZONE and carry out the Project and Financing Plan as limited by the CITY's ordinance creating the ZONE. The Participating Taxing Entities, during the Term of this Agreement, may inspect the Project site and review Project plans and drawings at times and intervals in a manner that will not interfere with ongoing operations.

2. The ZONE BOARD shall be composed of nine (9) members, as allowed under Section 311.009(b) of the Texas Tax Code. The COUNTY shall have the right to designate one member of the ZONE BOARD as its designee. If it is necessary for the CITY to make or confirm the appointment, the CITY shall appoint or confirm the COUNTY's designee.

### **E. Expansion of the ZONE**

Notwithstanding anything to the contrary contained herein, the obligation of the COUNTY to participate in the ZONE is limited to the legal description of the ZONE contained in Exhibit "B" attached hereto and is subject to the terms of this Agreement. The COUNTY's participation shall not extend to the Tax Increment on any additional real property added to the ZONE by the CITY unless the COUNTY approves such participation in writing.

## **V. RIGHTS AND OBLIGATIONS OF CITY AND ZONE**

### **A. Tax Increment Participation by the CITY**

1. Subject to the terms of this Agreement and the Development Agreement, the CITY agrees to participate in the ZONE by contributing to the Tax Increment Fund (i) seventy percent (70%) of the revenue generated from the CITY M&O Tax Rate as levied and collected on the Captured Appraised Value each respective tax year during the years 2015 through 2025, and (ii) eighty percent (80%) of the revenue generated from the CITY M&O Tax Rate as levied and collected on the Captured Appraised Value each respective tax year beginning in 2026 through the remaining Term of the Zone. The CITY agrees to require the DEVELOPER and ZONE to implement the Original Project and Finance Plan. The CITY's contributions to the Tax Increment Fund pursuant to this Section V.A.1 shall end when the CITY has contributed the maximum total contribution provided for herein of One Hundred Twenty Million Nine Hundred Ninety Thousand One Hundred Forty-Nine and No/100 Dollars (\$120,990,149.00), or

when it has contributed all Tax Increments attributable to periods before the ZONE termination date in 2044, whichever occurs first. The CITY's continued contribution to the Tax Increment Fund is conditioned upon the DEVELOPER not being in Default, and on the continued existence of the ZONE. In the event DEVELOPER is found to be in Default under the terms of the Development Agreement, the CITY may withhold its contribution without incurring penalty or interest until such time as the Default has been remedied. As a condition of the COUNTY's participation in this Agreement, the Finance and Project Plan must be followed and implemented pursuant to the Development Agreement.

The CITY and ZONE shall have an obligation to assure that the DEVELOPER follows and implements the Original Project and Finance Plan as provided in the Development Agreement. In the event the CITY and/or ZONE fails to appropriately require the Developer to comply with the Development Agreement or otherwise fails to appropriately implement the Original Project and Finance Plan, such failure will be considered a breach of this Agreement and subject to the cure provisions contained in Section IV.B.6. of this Agreement.

2. In addition to the agreement by CITY pursuant to Section V.A.1. above to participate in the Zone at a rate of 70% in the years 2015 through 2025 and 80% in the years 2026 through the remainder of the Term of the ZONE under the terms of this 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 (i) thirty percent (30%) of the revenue generated from the CITY M&O Tax Rate as levied and collected on the Captured Appraised Value each year in the 2015 through 2025 tax years, and (ii) 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 beginning in 2026 through the remaining Term of the ZONE (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 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 this Agreement and such breach shall be subject to the cure provisions contained in Section IV.B.6. of this Agreement.

## **B. Tax Increment Payment**

1. The CITY's obligation to contribute its Tax Increment Payment to the Tax Increment Fund as provided above in Section V.A.1. and V.A.2. of this Agreement shall accrue as the CITY collects its Tax Increment. The CITY agrees to deposit its first Tax Increment Payment 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 to the Tax Increment Fund annually on or before May 1, 2016 (or the first business day thereafter) of each tax year. Any delinquent deposit of a Tax Increment Payment by the CITY under this Agreement 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 Project Costs**

Each Participating Taxing Entity shall participate in the payment of Project Costs only to the extent described herein. The CITY and the ZONE shall be entitled to enter into any other agreements for the CITY or the ZONE to pay Project Costs 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. 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 one or more series of contract revenue bonds, a tax-exempt series and, if necessary, 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.F.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 Agreement acknowledge that the 4B CORPORATION's pledge of its sales tax and the LGC's issuance of a 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 this 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 this 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.

**E. Disbursement of Funds (Other than the Separate Additional Funds) in the Tax Increment Fund**

1. Each Participating Taxing Entity agrees the CITY 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 Agreement. Except for amounts to be paid to the CITY and COUNTY for Administrative Costs, no funds shall be disbursed from the Tax Increment Fund without the prior written approval of the ZONE BOARD, and notice of the amount of funds used and disbursement of funds by the ZONE shall be given at least annually to the COUNTY. The Parties agree that the CITY shall be responsible for the annual administration of the ZONE.

2. The parties agree and understand that under no circumstances shall Administrative Costs, in the aggregate, exceed the amount set out and described in Section II.5 above. Accordingly the agreed allocation of the total amount budgeted for Administrative Costs (\$400,000.00) shall be apportioned in the amount of \$300,000.00 for repayment of the CITY's administrative costs and \$100,000.00 for the repayment of the COUNTY's administrative costs during the Term of the ZONE, with the CITY and the COUNTY each receiving 1/30 of their pro-rata amount per year, as funds are available in the Tax Increment Fund. The CITY shall receive priority reimbursement of the Pre-TIRZ Administration Costs incurred by it. The Parties further agree and understand that the COUNTY and CITY are entitled to deduct their yearly pro-rata portion of Administrative Costs prior to depositing their respective Tax Increment Payment required pursuant to Section IV.A.1. (with respect to the COUNTY) and Section V.A.1 (with respect to the CITY) into the Tax Increment Fund, as long as said deductions are clearly delineated as a deduction from the Tax Increment Payment. If there is not enough Available Tax Increment to pay the COUNTY's and CITY's respective pro-rata yearly Administrative Costs, the COUNTY and CITY are entitled to deduct the pro-rata Administrative Costs which are owing to each entity respectively, prior to depositing the Tax Increment Payment in the Tax Increment Fund during the next year in which sufficient funds exist in the Available Tax Increment to pay said pro-rata Administrative Costs.

3. The CITY and ZONE will use funds in the Tax Increment Fund contributed by the COUNTY and the CITY pursuant to Section IV.A.1. and Section V.A.1, respectively, hereof to reimburse expenditures in the order and priority of payment set forth in the Original Project and Finance Plan and the Development Agreement. The foregoing notwithstanding, no such funds will be paid from the Tax Increment Fund to a Participating Taxing Entity for its financial or legal services incurred in any dispute arising under this Agreement with another Participating Taxing Entity or Participating Taxing Entities or a dispute with Developer.

4. In addition, the above notwithstanding, in the event that bonds or tax anticipation notes are issued pursuant to Section 311.015 of the Texas Tax Code, the proceeds shall be used to pay outstanding reimbursements according to the priority of payment, and thereafter the payment of debt service shall be a priority above any other annual obligations, and the amount of the Tax Increment Fund derived from amounts contributed by the COUNTY and the CITY pursuant to Section IV.A.1. and Section V.A.1, respectively, hereof shall not be directed for any other purpose until such bonds or tax anticipation notes or other obligations have been satisfied in full.

**F. 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 Agreement. No funds that are deposited in or credited to the Tax Increment Fund as a result of the CITY's Additional 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 V.D.1. hereof) (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 this 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 Agreement 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 Letter of Intent, 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 any 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 the CITY's Approved Pre-TIRZ Administrative Costs; third, payment of the CITY and the COUNTY's 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, the DEVELOPER agrees to faithfully perform its obligations under this Agreement and the Development Agreement, including without limitation the obligation to follow and implement the Original Project and Finance Plan and the Supplemental Project and Finance Plan as those obligations are imposed by the Development Agreement and this Agreement. If the DEVELOPER fails to meet the obligations contained in this Agreement or the Development Agreement, it shall constitute a breach of this Agreement and be subject to the cure provisions contained in Section IV.B.6. of this Agreement.

2. The Parties agree that if the sum of the CITY's Additional Pledge during the years 2015 through 2025 of the ZONE exceeds the amount required to pay debt service on the Supplemental Educational Facilities Contract Revenue Bonds during such years, any such excess shall no longer be considered Separate Additional Funds, and shall be part of the Tax Increment Fund available for disbursement in accordance with Section V.E above.

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 Agreement (calculated on the basis of CITY's and the COUNTY's Available Tax Increment being 20% and 23%, respectively, during the years 2015 through 2025 instead of 30% and 33%, respectively, during such time) 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 Agreement (calculated on the basis of CITY's and the COUNTY's Available Tax Increment being 20% and 23%, respectively, during the years 2015 through 2025 instead of 30% and 33%, respectively, during such time) 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 Agreement (calculated on the basis of CITY's and the COUNTY's Available Tax Increment being 20% and 23%, respectively, during the years 2015 through 2025 instead of 30% and 33%, respectively, during such time) 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 (calculated on the basis of CITY's and the COUNTY's Available Tax Increment being 20% and 23%, respectively, during the years 2015 through 2025 instead of 30% and 33%, respectively, during such time) 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 this 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 Agreement; and (c) on the commitment of the ZONE to comply with the Original 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 Original 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 Original Project and Finance Plan or 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 Agreement and the Development Agreement 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 "E" 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 "F". 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 consent to the modification of the Development Agreement and this Agreement to facilitate the financing of the Supplemental Master Infrastructure Taxable Certificates of Obligation 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 Agreement with the DEVELOPER and CITY each paying one-half of the closing costs as well as their respective costs of phase I environmental reports.

## **VII. TERM AND TERMINATION**

### **A. Term of the ZONE and Termination**

This Agreement 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. Subject to the terms of this Agreement, the COUNTY agrees to participate under this Agreement, beginning with the 2015 tax year and ending in accordance with the terms provided herein. Notwithstanding anything to the contrary contained in this Agreement, the Parties agree and understand that the CITY's and COUNTY's Tax Increment Payments will not be made after December 31, 2045 for the 2044 tax year.

### **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 as specified in Section III.A. above, 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 remaining in the Tax Increment Fund, including from the Separate Additional Funds, 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 funds, including any 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 or any Participating Taxing Entity. With respect to the CITY, COUNTY and DEVELOPER's costs, only eligible Project Costs and other allowable expenses under applicable law, if any, incurred by the CITY, COUNTY or DEVELOPER shall be payable from the Tax Increment Fund in the manner and priority provided in the Original Project and Finance Plan, the Supplemental Project and Finance Plan and the Development Agreement and only to the extent that funds become available in the Tax Increment Fund. The Parties agree and understand that under no circumstance shall the eligible costs exceed the maximum specified in the Original Project and Finance Plan, the Supplemental Project and Finance Plan and the Development Agreement. The CITY and the COUNTY are not obligated above and beyond what is actually collected as its Available Tax Increment during the Term of the ZONE, which shall be deposited into the Tax Increment Fund. 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**

This Agreement merges the prior negotiations and understandings of the Parties hereto, including the Original Agreement and the First Amendment, which are further amended and restated hereby, 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.

Upon the occurrence of any event that allows the CITY to terminate hereunder, the COUNTY shall have the right to withhold tax increment payments under this Agreement 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. With respect to the COUNTY's obligations, to the extent there is any discrepancy between this Agreement and any exhibit hereto, the terms of this Agreement shall control.

**D. Written Amendment**

This Agreement may be changed or amended only by a written instrument duly executed on behalf of each Party hereto. All Parties to this Agreement 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 Agreement 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 this 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 Agreement 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 Agreement 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 Agreement shall bind and benefit the Parties and their legal successors or assigns. This Agreement 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 Agreement.

**I. Amendments to Original Project and Finance Plan and Supplemental Project and Finance Plan**

The COUNTY acknowledges that it was provided with a copy of the initial preliminary finance plan for review and comment before the Original Project and Finance Plan was finalized and approved by

the City Commission of the CITY. The COUNTY further 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 Original Project and Finance Plan or 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 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 Original Project and Finance Plan or 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 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 Agreement 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 Agreement, 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 (and other documentation and information pursuant to Section IV.B.2. above) 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.

**K. Development Agreement**

The CITY, DEVELOPER, and ZONE BOARD have entered into the Development Agreement. The CITY hereby agrees with COUNTY to use reasonable efforts to enforce and follow the provisions of the Development Agreement against DEVELOPER, including, without limitation, the DEVELOPER's compliance with all applicable building codes and ordinances, as modified or amended and all applicable federal, state, and local laws, rules, regulations, statutes, ordinances, orders and codes, as amended, pertained to the construction of the Project. The CITY and the ZONE agree to provide the COUNTY with a copy of any notice of Default that is delivered or sent to any party under the Development Agreement within five (5) business days after receipt of the notice by the CITY or the ZONE. The COUNTY shall have the right to consent to any waivers of Default. The COUNTY shall also have the rights to consent to any changes or modifications in DEVELOPER's or other Parties' obligations prior to such modifications or changes being effective, if modifications or changes constitute a Material Change.

**L. ZONE Designation**

The CITY represents that its designation of the ZONE meets the criteria of Section 311.005(a), Texas Tax Code.

**IN WITNESS HEREOF**, the CITY OF MCALLEN; HIDALGO COUNTY; DEVELOPER; TAX INCREMENT REINVESTMENT ZONE NUMBER ONE (1), CITY OF MCALLEN, TEXAS; and TRES LAGOS PUBLIC IMPROVEMENT DISTRICT have made and executed this Agreement in quintuple originals on this 15<sup>th</sup> day of December, 2015.

**CITY OF MCALLEN**

**HIDALGO COUNTY**

\_\_\_\_\_  
Jim Darling  
City Mayor

\_\_\_\_\_  
Hon. Ramon Garcia  
County Judge

**ATTEST/SEAL:**

**ATTEST/SEAL:**

\_\_\_\_\_  
Annette Villarreal  
City Secretary

\_\_\_\_\_  
Arturo Guajardo, Jr.  
County Clerk

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

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

\_\_\_\_\_  
Kevin Pagan, City Attorney

Atlas, Hall, & Rodriguez, LLP

By: \_\_\_\_\_  
Stephen L. Crain

**DEVELOPER:  
RHODES ENTERPRISES, INC.**

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

\_\_\_\_\_  
Mike Rhodes  
President

\_\_\_\_\_  
Mike Rhodes  
President

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

\_\_\_\_\_  
Mike Rhodes  
Presiding Officer

**Exhibit A**  
**Original Project and Finance Plan**

**Exhibit B**

**City of McAllen Ordinance No. 2014-75 passed and approved  
by the City Commission on December 22, 2014**

**Exhibit C**

**Development Agreement, as amended**

**Exhibit D**

**Amended and Supplemental Project and Finance Plan  
approved by the ZONE BOARD on November 18, 2015  
and by the City Commission of the CITY on December 14, 2015**

**EXHIBIT E**

**Map and description of +/- 100 acre tract within the Project,  
which is to be conveyed from DEVELOPER to CITY for the Supplemental Project**

**Exhibit F**

**Map and description of two tracts located east of the Project,  
which are to be conveyed by CITY to DEVELOPER**