

**ORDER RATIFYING
AMENDED AND RESTATED INTERLOCAL AGREEMENT
(AS TO MCALLEN TIRZ NUMBER ONE)**

WHEREAS, pursuant to Ordinance No. 2014-75 adopted by the City Commission of the CITY OF MCALLEN, TEXAS (the “*City*”) on December 22, 2014, the City created REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS (the “*Zone*”) in accordance with the provisions of Chapter 311, Texas Tax Code, as amended and

WHEREAS, HIDALGO COUNTY, TEXAS (the “*County*”) agreed to participate in the Zone, based on the benefits and special circumstances for economic development that will be generated through the creation of, and participation by the County in, the project known as the Tres Lago Development Project, as referenced in the Commissioners Court Order of March 17, 2015;

WHEREAS, the City, the County, Rhodes Enterprises, Inc. (the “*Developer*”) and the Zone entered into that certain *Interlocal Agreement*, dated as of March 17, 2015 (the “*Interlocal Agreement*”), which provides, among other things, that the City participate in the Zone at a level of 80% of the City’s M&O tax rate and the County participate in the Zone at a level of 77% of the Applicable M&O Tax Rate and a maximum contribution by the County of \$143,318,484 (the “*Original Cap*”); and

WHEREAS, the City and the board of the Zone approved a supplemental plan for the Zone, which includes, in accordance with a Letter of Intent dated and entered into September 15, 2015, among The Texas A&M University System and Texas A&M University (collectively, “Texas A&M”), the City and the County, the development, on approximately 100 acres of land within the original Tres Lagos Development Project, of a new Texas A&M campus (the “*Supplemental Project*”); and

WHEREAS, the County previously determined that the Tres Lagos Development Project for the Zone, even without the Supplemental Project, satisfied the requirements of Section VI.3.a.ii of the Amended and Restated Tax Increment Reinvestment Zone Participation Policy for Hidalgo County (as such policy was amended on March 10, 2015, the “*TIRZ Policy*”), which authorizes County participation at an amount not to exceed 100% of the Applicable M&O Tax Rate, as such term is defined in the TIRZ Policy; and

WHEREAS, on September 15, 2015, the City Council of the City and the Commissioners Court of the County met together to consider the Supplemental Project, and the benefits of it, including to economic development, at which time the City, the County, the Developer and the Zone deemed it necessary and appropriate to amend the Interlocal Agreement for the purposes of adding the Supplemental Project, and implementing the supplemental plan, including increasing the City’s and the County’s

participation, providing for the related bonds and/or other financing, and adding the **TRES LAGOS PUBLIC IMPROVEMENT DISTRICT** (the “**PID**”) as a party, all as set forth in that certain *First Amendment to Interlocal Agreement* (the “**First Amendment**”) among such parties dated September 15, 2015; and

WHEREAS, pursuant to the Interlocal Agreement as amended by the First Amendment, the County’s original pledge of 77% of the tax increment remained subject to the Original Cap and the County’s additional pledge for the Supplemental Project was subject to a maximum of \$6.8 million (the “**Additional Pledge Cap**”, and together with the Original Cap, the “**Aggregate Cap**”), and;

WHEREAS, the City and the board of the Zone subsequently amended the Supplemental Project and Finance Plan, which was approved by the board of the Zone, on November 25, 2015, and the City, on December 14, 2015, approved (as so amended, the “**Supplemental Plan**”); and

WHEREAS, in order to implement the Supplemental Plan for the Supplemental Project, the City requested changes to the Interlocal Agreement as amended by the First Amendment, including changing the allocation of the County’s tax increment contributions such that during the years 2015 – 2025 up to 33%, instead of 23%, of the County’s tax increment will be allocated to the Additional Pledge Cap and during such years 67% of the County’s tax increment, instead of 77%, will be allocated to the Original County Cap, while the Aggregate Cap remains unchanged; and

WHEREAS, the County found that the Supplemental Project will bring substantial additional benefits to economic development in the County;

WHEREAS, the City, the County, the Developer, the PID and the Zone deemed it necessary and appropriate to amend the Interlocal Agreement for the purpose of adding the amended Supplemental Project, and implementing certain changes related to providing for the related bonds and/or other financing, and restating the Interlocal Agreement as amended, all as set forth in that certain *Amended and Restated Interlocal Agreement* (the “**Restated Agreement**”) among such parties dated December 15, 2015; and

WHEREAS, the Commissioners Court of the County approved a substantially final draft of the Restated Agreement, with such changes thereto as are approved by the County Judge of the County, with advice of the County's attorneys; and

WHEREAS, the County Judge with representatives of the other parties finalized the Restated Agreement, and the Restated Agreement was approved by the Commissioners Court of the County on April 5, 2016, but the order (the “**April 2016 Order**”) was not signed due a question arising as to which version of the Restated Agreement had been approved;

WHEREAS, the Commissioners Court, having previously determined that it is necessary and appropriate to assist with financing the Supplemental Project by entering into the final Restated Agreement to accomplish the purposes set forth therein, wishes to ratify its approval of the Restated Agreement in the form attached hereto as Exhibit I (the "**Final Amended and Restated Interlocal Agreement**"); and

WHEREAS, the intent of Commissioners Court in approving the April 2016 Order was to approve the Final Amended and Restated Interlocal Agreement in the form attached hereto as Exhibit I, so in approving this Order negates the need for the April 2016 Order; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Order was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code;

NOW THEREFORE:

BE IT ORDERED BY THE COMMISSIONERS COURT OF HIDALGO COUNTY, TEXAS:

SECTION 1. APPROVAL OF FINAL AMENDED AND RESTATED INTERLOCAL AGREEMENT. The Final Amended and Restated Interlocal Agreement is hereby approved in the form attached hereto as Exhibit I, and the County Judge is authorized to execute, and the County Clerk is authorized to attest, the Final Amended and Restated Interlocal Agreement on behalf of the County and deliver same, and when executed and delivered, the Final Amended and Restated Interlocal Agreement shall become a valid and binding obligation of the County in accordance with its terms.

SECTION 2. ENFORCEABILITY OF ORDER. If any section, paragraph, clause, or provision of this Order shall be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this Order. In case any obligation of the County authorized or established by this Order or the Final Agreement is held to be in violation of law as applied to any person or any circumstance, such obligation shall be deemed to be the obligation of the County to the fullest extent permitted by law. The April 2016 Order will not be signed and is superseded by this Order.

SECTION 3. INCORPORATION OF RECITALS. The Commissioners Court hereby finds that the statements set forth in the recitals of this Order are true and correct, and the Commissioners Court hereby incorporates such recitals as a part of this Order.

SECTION 4. EFFECTIVE DATE. This Order shall become effective immediately upon on the passage hereof.

PASSED, APPROVED and ADOPTED this 7th day of April 2016.

HIDALGO COUNTY, TEXAS

By: _____
Ramon Garcia
County Judge
Hidalgo County, Texas

ATTEST:

Arturo Guajardo, Jr.
Hidalgo County Clerk

Exhibit I to County Order

FINAL AMENDED AND RESTATED INTERLOCAL AGREEMENT

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 Eufracio, 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. 10th 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 17th 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 IV.A.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 90th 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 31st 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.

Tax Increment Reinvestment Zone (TIRZ) Payment Calculation	EXAMPLE
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	\$590.00
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
	\$90,000.00
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	\$459.00
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	50.85%
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
TAX INCREMENT PAYMENT AMOUNT DUE TO TAX INCREMENT FUND	\$223.40

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 90th 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 90th 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 15th 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

CITY OF MCALLEN, TEXAS



**Tres Lagos
Tax Increment Reinvestment Zone Number One
Project and Finance Plan**

Participation Levels:
City of McAllen (80%) & Hidalgo County (77%)

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EXECUTIVE SUMMARY

Overview of Plan

Tax Increment Reinvestment Zone Number One, City of McAllen, Texas, (the “Zone” or the “TIRZ”) represents an important opportunity for the future of the City of McAllen (the “City”). It will promote and encourage construction of approximately 2,571 acres of mixed use development including single-family, multi-family, retail, office and commercial development (the “Project”), and the creation of more than eight thousand new jobs.

Creation of the TIRZ and implementation of the Project will:

- (1) Increase the population and tax base of the area;
- (2) Remove low valued vacant land from the tax rolls and replace it with higher value development;
- (3) Include creation of a public improvement district pursuant to Chapter 372 of the Texas Local Government Code (“PID”) as a mechanism to ensure that the development, rather than the existing City taxpayers, pay for the upkeep and maintenance of some of the public roads and infrastructure in the development; and
- (4) Start a new model for development in the area that is more sensitive to the environment (i.e., recycled water, green spaces, curving design, etc.) and is more sustainable (higher employment base, superior technology, enhanced security, etc.).

This tract of land has remained vacant and undeveloped because either (1) the costs associated with developing the land in the preferred manner prohibited the efficient use of the property, or (2) the property was unavailable for development when development should have occurred and current development costs for the desired development are uneconomical. Creation of the TIRZ will allow for construction of infrastructure and other improvements including single-family subdivisions, multi-family projects, commercial projects, retail developments and thousands of new jobs and related economic development that will cause public benefits that would otherwise be very difficult, if not impossible, to obtain due to costs that include off-site utility extensions, on-site and off-site utility plant expansions, on-site street and utility extensions, drainage improvements, community Wi-Fi, surveillance cameras, Fiber-to-the-Home infrastructure and significant park and recreational installations.

The Zone is located at the southwest corner of Ware Road and Monte Christo Road (the “Property”). Please see **Exhibit 1** for a location map of the Property. This Project and Finance Plan will be implemented through the execution of a Development Agreement between the City of McAllen, the Board of Directors of the Zone, and Rhodes Enterprises Inc., its successors and assigns, (acting as the “Developer”), which sets forth the rights and obligations of the parties to assure successful completion of the proposed Project. Unless otherwise defined herein, all defined terms in this Project and Finance Plan shall have the meanings set forth in the Development Agreement.

Anticipated Benefits of Development

The projected benefits of the Zone are as follows:

- The original plan for the Property was to develop a rural subdivision with lots ranging from 1 acre to 10 acres, with the entire development remaining in the County. However, the proposed mixed use development has greater density, supports retail, multifamily, office and institutional uses, creates additional employment and will generate a superior tax base.
- The entire 2,571 acres are currently located in the city limits of the City and within Hidalgo County, Texas. The Property was annexed through a Developer petition conditioned on (1) the City approving participation in the TIRZ in an amount equal to 80% of the revenue generated from the CITY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE, and the remaining 20% being retained by the City, and (2) Hidalgo County approving participation in the ZONE by contributing to the Tax Increment Fund an amount equal to 77% of the revenue generated from the COUNTY M&O Tax Rate (as defined in the Interlocal Agreement) as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE, and the remaining 23% being retained by the County, during the term of the Zone.
- Over 125 acres of parkland that will be developed and dedicated to the City for public use.
- The Developer will dedicate drainage right-of-way that will improve drainage issues for the community upstream and downstream of the Zone with an estimated value of \$6,000,000.00.
- Recycled water will be used to water the green spaces providing enhanced water conservation.
- The Tres Lagos development will be the first in the region to provide Fiber-to-the-Home (FTTH) for high-speed internet access (up to 1 Gbps).
- Enhance and increase the population within the area, and the economy of the overall general area.
- Provide for pedestrian safety and access through walking trails and street light construction.
- Provide for public use sites and assist in funding emergency access networks.
- Enhance the quality of life within the development and surrounding areas through parks landscaping and increased recreational opportunities.
- Create a sustainable housing initiative for the benefit of landowners inside and outside of the Zone through encouraging green build and ENERGY STAR construction of homes and buildings.

- Generate significant revenue in the form of ad valorem tax, utility fees, property tax, et al, and help extend utility (water, sewer, recycled water, cable, and data) service to adjoining tracts and other areas for future development.
- Add over +/- \$2,600,000,000.00 to the tax base of the City and County over the life of the Zone.*¹
- Require only the taxes from within the Zone, and not existing taxpayers in the City or the County, to pay all the costs of the installation of all utilities required for the Project.
- Create a new and replicable standard for better and more sustainable development within the City that encourages new development to pay for itself in a greater amount and does not place the burden unfairly on the City's current budget or on the current and existing taxpayers.

The TIRZ Concept

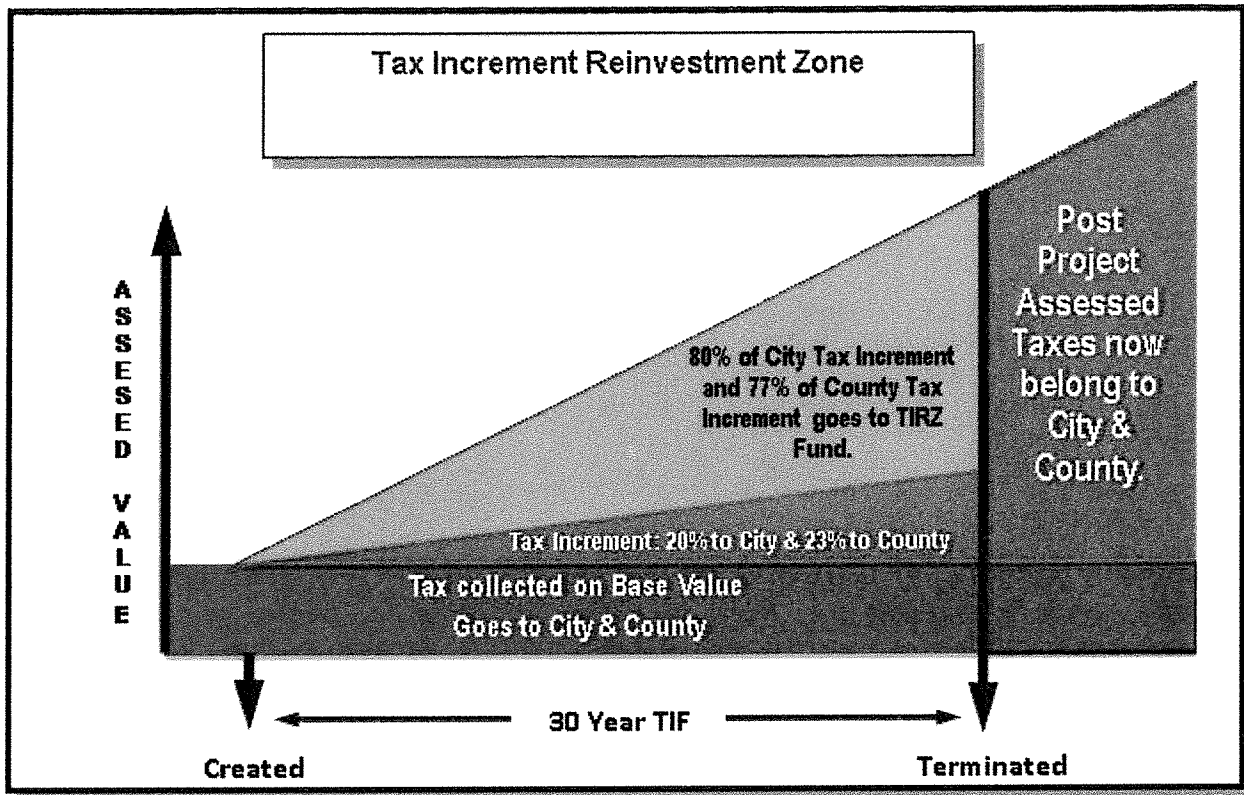
A TIRZ or Tax Increment Reinvestment Zone is a financing tool authorized by the State of Texas Legislature in Chapter 311 of the Texas Tax Code. The purpose of the statute is to allow cities and counties to provide an incentive to develop areas that lack the infrastructure or have other impairments to desirable growth and development.

When a zone is created, the "base value" of the area is frozen for tax purposes. The existing taxing entities continue to receive tax revenues as before. However the increased tax revenue ("the increment") generated by new development within the zone will be used to reimburse costs related to public improvements within the zone as well as other related allowable expenses. The zone will have a life equal to a predetermined number of years. Upon reaching that date, or upon all costs having been reimbursed, whichever comes first, the zone will terminate. Upon termination, the increased tax revenue belongs to the respective taxing entities. The investment in public infrastructure and public amenities will cause the tax revenue received by the City and County to be much greater both during the TIRZ and afterwards than would have been received without the TIRZ. Comparison charts below illustrate the level of tax revenue and public benefit received through the TIRZ Project and Finance Plan compared to ordinary non-TIRZ development.

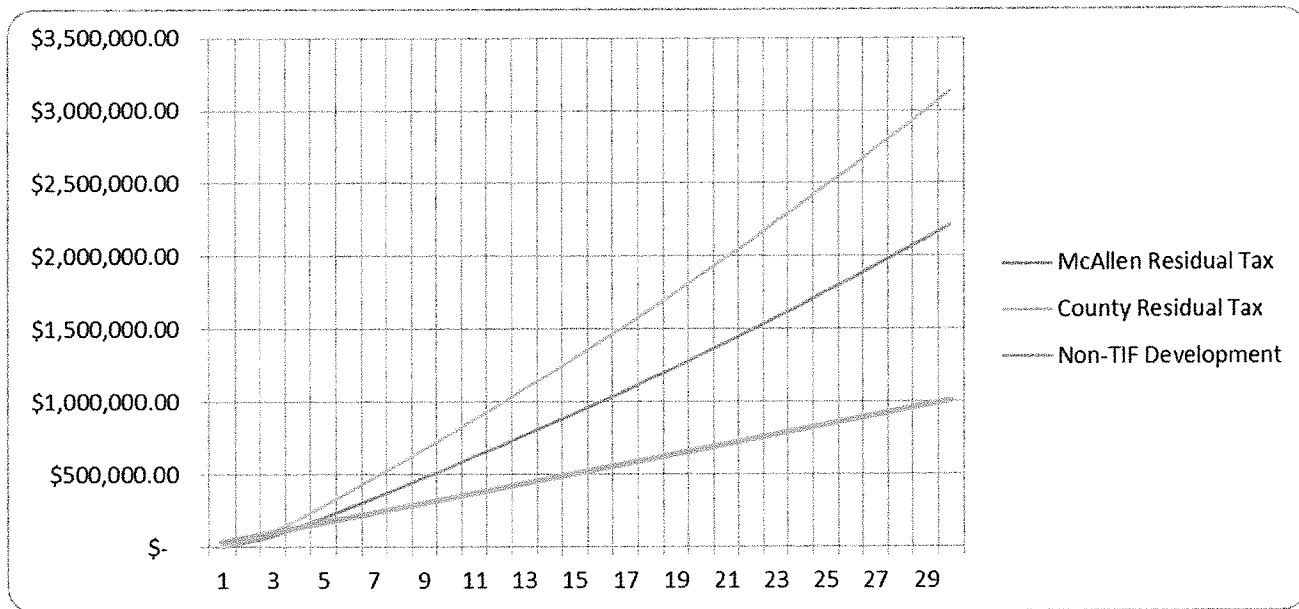
[Charts on Following Page]

*¹ \$2,569,780,976 in vertical improvements plus \$232,396,315 in infrastructure over the term of the Project.

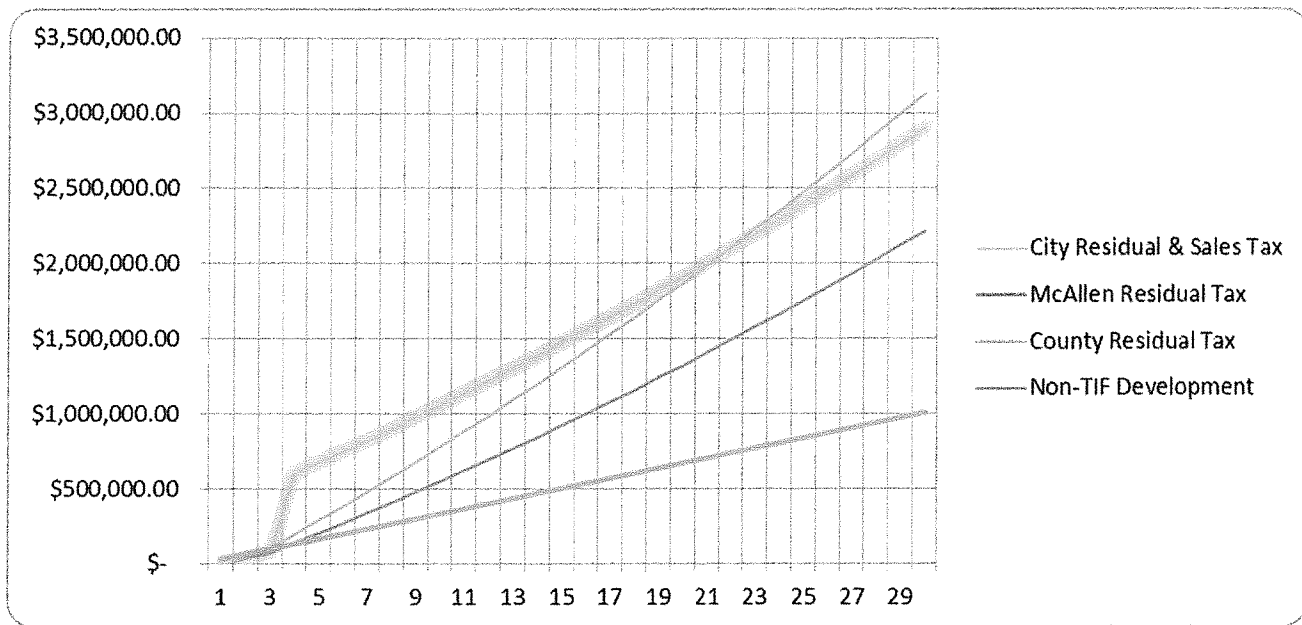
TIRZ ASSESSED VALUE (AV) OVER PROJECT LIFE



INCOME COMPARISON BETWEEN EXISTING DEVELOPMENT METHOD AND "NEW TIRZ METHOD"



INCOME COMPARISON BETWEEN EXISTING DEVELOPMENT METHOD AND “NEW TIRZ METHOD” continued



PROJECT PLAN

The Reinvestment Zone Number One, City of McAllen, Texas Project and Finance Plan provide a long-term method to increase economic vitality, tax base, and population within the Zone.

The economics of attracting market rate housing, new businesses, retail establishments, commercial uses and new employment opportunities will be greatly enhanced utilizing the TIRZ to finance public infrastructure improvements and economic development initiatives.

The following specific objectives set the framework for the planned public improvements within the Zone:

- Complete infrastructure to support +/-2,571 acres of mixed use development with an estimated developed tax base value of over \$2,500,000,000.00.
- Fund reimbursement of construction of primary public streets and public utility work to create access for future planned high technology and secure mixed use developments.
- Provide attractive, safe pedestrian environments through landscaping, lighting and construction of public walkways in the single-family areas and open space areas of the development.
- Construct wastewater collection, recycled water mains and storage and reuse facilities to enhance and encourage environmentally sensitive and water conscious regional development.

- Make utilities (sewer, water, recycled water, cable, and fiber optic) available to adjoining properties in the City and County for future growth.
- Relieve the City and County of some of the maintenance costs of the community by establishing a PID, which will also establish a model community that incorporates availability of gigabit speed internet access to every home and business in the community; community high-speed Wi-Fi access; community security, data, video and surveillance services; interconnected linear hike and bike and park systems, and unique subdivision designs to create a secure and sustainable living and working environment.
- Create, and prove the feasibility of a new model of ‘smart growth’ development for the City and County which is socially and financially sustainable, environmentally sensitive, and which conserves water and has a lower carbon footprint.

Planned Private Development and Investment

The total private development investment stimulated by creation of the Zone is forecasted to be \$2,569,780,976.14 in the form of vertical construction of homes, apartments, office buildings, retail buildings and commercial uses.

Public Infrastructure Improvements

The Public Infrastructure Improvements (hereinafter may be referred to as “Public Improvements”) which will be completed pursuant to the Project and Finance Plan are detailed in **Exhibits 4 through 9** of this Project and Finance Plan, and the amount of public investment for reimbursement of the Public Improvements totals \$258,540,901.00. If the interest cap is reached no additional interest payments may be made.

Public Infrastructure Improvements and Related Eligible Expenses

The Public Infrastructure Improvements to be constructed and financed pursuant to the Project and Finance Plan and related capital costs include, but are not limited to, reimbursements associated with the following internal and external project costs for infrastructure to be constructed and dedicated to a Public Entity: Mile 9 Russell Rd. improvements, Shary & Bryan Road improvements, Glasscock/Stewart/Mayberry Road improvements, public parks, together with all site work, internal streets and drainage, onsite and offsite water and sewer and recycled water infrastructure, sidewalks, fiber optic dedicated to the City, PID, or other Public Entity, communication, Wi-Fi and surveillance infrastructure dedicated to the PID, as well as all other related infrastructure, soft project costs, and costs of creation as shown **Exhibit 5 and Exhibit 9**. The capital cost is estimated to be \$232,396,315.00 of the full eligible build-out amount plus interest on such amount until reimbursed.

[Remainder of Page Intentionally Left Blank-Project Plan and Finance Plan Continue on Next Page]

Existing and Proposed Uses

The existing uses in the area in which the Zone is located consist of open undeveloped or underdeveloped land and farming operations.

The proposed uses in the Zone are those uses set forth in **Exhibit 2** which have been master-planned and organized in phases to provide the maximum value enhancement and benefits to the Zone, the City and the surrounding community.

Description of Zone

The Zone will be located in the northwest sector of the City of McAllen ETJ. The exact location and legal description of the Zone are identified in the survey and field notes attached as **Exhibit 1**.

Project Feasibility

The feasibility of the Project has been analyzed by an independent economist and the Developer. The results of this analysis establish that the Project is both economically feasible and is within market absorption capabilities. According to national employment creation statistics by type and square footage of development, it is estimated that the Project could create in excess of 8,000 new jobs, and over \$200,000,000.00 in annual payroll within the McAllen area, which will provide tremendous benefits to the municipality in the form of increased economic stimulus, ad valorem, and sales tax revenues.

Based on the above economic factors, creation of the Zone and approval of the Project and Finance Plan is in the best interest of the City and is in furtherance of its municipal and governmental purposes.

FINANCE PLAN

Tax Increment Financing

The Tax Increment Financing Act (Chapter 311 of the Tax Code), provides for counties and cities to create “reinvestment zones” within which various public works and improvements can be undertaken, using tax increment revenues, bonds or notes, to pay for those improvements. The Act also allows the Zone to participate in the funding of improvements outside the Zone if the improvements benefit the Zone. At the time an area is designated a reinvestment zone for tax increment financing, the existing total of appraised value of real property in the zone is identified and designated as the Tax Increment Base. The Zone will not receive any sales tax revenue collected by the City of County.

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise, and there will be an increase in sales tax revenue as well. This rise in new ad valorem value is called the “captured appraised value.” The taxes that are collected by the participating taxing jurisdictions on the increment between the frozen value and the new higher value, or the Tax Increment, are then deposited into a TIF Fund, which is used to reimburse or pay for the approved improvements. Once the public improvements are completed and reimbursed, the TIF and Zone are dissolved and any remaining amounts of taxes collected are kept by the taxing jurisdiction. In addition the TIF will be dissolved if the Developer is in Default and does not cure the Default, or if the reimbursements for Public Infrastructure Improvements are paid earlier than

anticipated. In effect, the taxing jurisdictions are “investing” future earnings to receive the benefit of higher tax revenues from new development. Taxing jurisdictions are not restricted from reassessing property value or changing their tax rate as allowed by State law during the life of the Zone.

Financing Plan Overview

The Tax Increment Base is \$1,064,613.00 (hereinafter also referred to “Base Value”). The City has agreed to participate in the ZONE by contributing to the Tax Increment Fund an amount equal to 80% of the revenue generated from the CITY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE. In no event shall the CITY contribution to the Tax Increment Fund be greater than \$120,990,149.00 over the life of the ZONE beginning with the 2014 tax year. The County has indicated that it will participate in the ZONE by contributing to the Tax Increment Fund an amount equal to 77% of the revenue generated from the COUNTY M&O Tax Rate (as defined in the Interlocal Agreement) as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE. In no event shall the COUNTY contribution to the Tax Increment Fund be greater than \$143,318,484.00 over the life of the ZONE beginning with the 2014 tax year.

The Zone provides funding for approximately +/- \$258,940,901.00 of planned Public Infrastructure Improvements which are eligible for reimbursement, including interest, and Administrative Costs paid to the City and County for administering the Zone. In addition, this Project and Finance Plan authorizes reimbursement of the Pre-TIRZ Administrative Costs to the City in an amount not to exceed \$70,000.00, with said amount to be paid from the contingency or surplus funds as shown on the Sources & Uses Table set forth on **Exhibit 5**. The Finance Plan indicates that the Zone will yield adequate revenues to provide for incremental financing of the Project as indicated in **Exhibits 4 through 9**. The total projected revenue of the Zone is \$264,308,634.00.

Financing Method: Initial financing is being accomplished through equity invested by the Developer through private investments and conventional land development bank loans, the issuance of Tax Increment Bonds (hereinafter also referred to as “Bonds”) when available, as well as other funding sources. No taxing jurisdiction is guaranteeing the repayment of these loans; they remain the obligation of the Developer. In the event Bonds are issued they will not become obligations of the City or County. When Bonds are issued by the City, only the pledged Available Tax Increment can be looked to for repayment of those obligations. Other Public Infrastructure Improvements included in the Project and Finance Plan will be funded through similar financing sources and reimbursed to the Developer, as Available Tax Increment is available. Bonds are projected to be issued for the Project with the assistance of the City upon the completion of 900 homes which are built and assessed in the Project. If Bonds are issued, the Available Tax Increment from the Zone will serve as the only repayment source for the Bonds.

Priority of Payment: The City and the Board shall disburse funds from the Tax Increment Fund (or Bond revenues) to pay expenditures in the following order or priority of payment:

1. FIRST, to reimburse the City for reasonable Pre-TIRZ Administrative Costs approved by the Zone;
2. SECOND, payment of Administrative Costs to the City and County pursuant to the Interlocal Agreement;

3. THIRD, to reimburse the City for the City Project Costs, plus interest, as provided in the Project and Finance Plan, for the City Public Improvements;
4. FOURTH, to pay the debt service on any Tax Increment Bonds issued by the Zone/City which are due and payable in whole or in part from the Available Tax Increment provided they are used to pay costs as set forth in the Project and Finance Plan;
5. FIFTH, to reimburse Developer or City for Project Costs, plus Interest, as provided for in the Project and Finance Plan incurred by the City or Developer, for Public Infrastructure Improvements constructed by either on a first in, first out basis; and
6. SIXTH, to reimburse or pay the cost of any project or improvement that was not included in the original Project and Finance Plan, but was later added as a subsequent project with approval of the ZONE and the CITY.

The foregoing, notwithstanding, no funds will be paid from the Tax Increment Fund to the City or County for its financial and legal services in any dispute arising under the Development Agreement with another participating taxing entity.

Capital Costs: The total capital costs to be incurred for Public Infrastructure Improvements total \$232,396,315.00. The Developer's portion of this amount is estimated to be \$230,696,315.00, the City's portion of this amount, the City Public Improvements, to be incurred for off-site improvements (extension of fiber optic strands and conduits to the Zone, extension of sewer mains to the Zone, the extension of recycled water trunk mains to the Zone, and the construction of a new fire station to serve the Zone and other areas) are estimated to be \$4,050,000.00. The City and County have negotiated a maximum reimbursement to the Developer. It is projected that neither the City nor the Developer will receive any payments until fiscal year 2016. The earliest projected payoff of the capital cost would occur in fiscal year 2044 and includes an estimated reimbursement of the Developer contribution of \$230,696,315.00 out of the Project Costs totaling \$258,540,901.00.

TIRZ Collections: The TIRZ collections for this project shall not extend beyond December 31, 2045 and may be terminated earlier once each taxing entity has deposited its respective maximum dollar contribution amount described in the table below. Some taxing entities may reach their maximum dollar contribution prior to others and/or prior to the end of the TIRZ; the term of the TIRZ will continue through December 31, 2045 or will terminate once all taxing entities have deposited their maximum dollar contribution, and all obligations of the Zone have been satisfied pursuant to Section 311.017 of the Texas Tax Code.

TABLE-Maximum TIRZ Contribution		
Participating Taxing Entities	Maximum Dollar Contribution	Maximum Length of Contribution
City of McAllen, Texas	\$120,990,149.00	December 31, 2045
Hidalgo County	\$143,318,484.00	December 31, 2045
Maximum Contribution Amount	\$264,308,634.00	

Developer's Risk: All financing, development costs, construction costs, improvements, damages, or other costs incurred by the Developer with respect to this project are at the sole risk of the Developer. Neither the City nor County shall incur any risk of loss whatsoever associated with the development, construction, completion, or failure of the Project, if such loss is due to Developer. In the event that the Project fails, is abandoned by the Developer, or for any reason is not completed, the City shall have the right to terminate the TIRZ and any funds remaining in the TIRZ account after payment of approved reimbursements shall be distributed to the City and County on a pro-rata basis in accordance with each entity's participation level.

Limited Obligation of the City and County: Except for the financial obligation of the City to construct the City Public Improvements the City and County obligations shall be limited to the City imposing and collecting taxes and the County imposing taxes, and both the City and the County depositing such tax receipts into the Tax Increment Fund during the term of the TIRZ for so long as the Project is viable, the Developer is not in Default, and eligible project costs and capital costs (and interest thereon) incurred by the Developer have not been fully paid. The TIRZ collections for this Project shall not extend beyond 30 years or past the collection of taxes assessed for the year 2044 (and collected in 2045), and may be terminated prior to December 31, 2044 upon payment of the total amount of reimbursement for Project Costs to the Developer as provided in the Development Agreement, or for Default by the Developer as set forth in the Development Agreement, or as allowed by Section 311.017 of the Texas Tax Code.

Any costs incurred by the Developer are not, and shall not in any event become, general obligations or debt of the City or County. The Project Costs incurred by the Developer shall be paid solely by the TIRZ revenues contributed to the Zone and shall never constitute a debt, indebtedness, or a pledge of the faith and credit or taxing power of the State, the City, County, or any political corporation, subdivision, or agency of the State of Texas, other than the TIRZ, which is funded solely by the pledged Tax Increment of the City and County.

Financing Policy: This Project and Finance Plan limits the amount of City and County Available Tax Increment (80% of the CITY M&O Tax Rate and 77% of the County M&O Tax Rate) paid to finance repayment of the City and Developer expenditures for reimbursable public improvements.

Short Term Financing: The short term financing for the Project will be paid through initial capital investment and conventional development loans provided by the Developer for Public Infrastructure Improvements installed by the Developer. The City will fund the initial cost of the City Public Improvements (\$4,050,000.00) through advancing City budgeted funds. The Project costs advanced by the Developer and City for construction of their respective public improvements will be reimbursed according to the approved priority of payment as TIF Funds become available in the balance of the Tax Increment Fund.

Long Term Financing/Bonds: To minimize the cost of interest incurred by the Project, the Zone will recommend the issuance of, and the City will issue (contingent upon City Commission approval), Tax Increment Bonds when 900 homes have been completed within the Zone and are being assessed ad valorem taxes. It is projected that the Tax Increment Bonds will be issued in the fourth year of the Project and Finance Plan (2018). The amount of the issuance will be the maximum amount as is reasonably and prudently determined by the City and its financial advisers that can be debt-serviced and underwritten at reasonably acceptable interest rates at the time of issuance based upon the amount of the pledged tax

increment that is being generated within the Zone according to the City's debt issuance policies and State of Texas public finance requirements.

Financial Assumptions

The Finance Plan is based upon conservative assumptions. Accordingly, the Finance Plan assumes that there will be no tax rate changes during the project term, and assumes an increase in assessed values of existing tax base of only 1.015% per year rather than the actual average appreciation rate which is historically in excess of 3% per year.

The Finance Plan also assumes that the taxing entities will continue to collect tax revenues at the same rate and that homestead and other exemption rates will remain unchanged. Build-out rates of tax base within the Finance Plan are based on conservative rates of absorption established from historical market data collected from the Rio Grande Valley demographics.

Financial Feasibility

Based on the private development plans, public improvement program, budgets and general financing strategy, financial assumptions, and the feasibility study prepared by H.E. Skip Preble, MAI, CCIM, of Boerne, Texas, and as required by Section 311.011(c)(3) of the Texas Tax Code, the City of McAllen City Commission finds that the Finance and Project Plan is economically feasible.

Financial and Governance Policies

Pursuant to Chapter 311 of the Texas Tax Code, the Zone will be governed by a nine-member Board of Directors appointed by the City Commission, the Board of Directors of the ZONE (hereinafter also referred to as the "TIRZ Board"). The TIRZ Board members shall include: a City designee, a County designee, and five other initial members all of whom must be the owners of real property within the Zone, or an agent or employee of an owner of real property in the Zone; the other two board members shall be the State Senator and State Representative representing the districts in which the Zone is located. The chairperson of the TIRZ Board will be designated by the City Commission.

The TIRZ Board will operate pursuant to Robert's Rules of Order and will adopt rules governing the management of the TIRZ. These rules are designed to ensure conformity with all Texas Tax Code rules and regulations, including but not limited to the requirement that all Public Infrastructure Improvements are publically bid and that all meetings are held in compliance with the Texas Open Meetings Act. The TIRZ Board may make non-Material Changes within the Project and Finance Plan, provided that said changes do not violate the competitive bidding requirements for public infrastructure improvements as required by Texas law. Additional guidelines and requirements for carrying out the Project and additional rights and obligations of the City, County, and Developer are contained in the City ordinances creating the Zone, approving the Finance Plan and Project Plan, as well as in the Development Agreement and the Interlocal Agreement related to the Project.

Compliance: The Developer shall comply with all applicable federal, state and local laws, rules and regulations, including all those relating to the construction of public improvements.

Reporting: The Developer shall submit a project status report and financial report on a semi-annual basis to the City.

Inspection: The Developer shall allow the City, County and/or the Board of Directors for the ZONE reasonable access to the Project site or sites for inspections during and upon completion of construction upon reasonable notice.

The TIRZ Board may from time-to-time recommend amendments to these financial policies to the City which, if adopted by the City, may affect the operation of the Zone.

Conclusions

Based upon a set of conservative assumptions and an analysis of the Zone Project and Finance Plan, the TIRZ Board and the Commission of the City of McAllen has concluded that the TIRZ Project and Finance Plan is economically feasible in compliance with Chapter 311 of the Texas Tax Code.

The success of the Project within the Zone will encourage other large planned mixed-use developments with higher values. The new residential population base: will support an expanding retail base, will supplement the existing job market by adding over 8,000 new jobs, and will attract additional private development into the Zone and surrounding area. In addition, the Zone will serve to stabilize and enhance future property values in the City of McAllen and Hidalgo County, and will serve the municipal and governmental purpose of protecting the public safety and welfare.

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APPENDIX & EXHIBITS

TIRZ REQUIREMENTS

Section 311 of the Texas Tax Code (Tax Increment Financing Act) specifies that TIRZ Project and Finance Plans meet certain requirements. These requirements are listed below, along with a reference indicating where these elements can be located in the Project and Finance Plan. All of the exhibits identified below in this Appendix are incorporated into the Project and Finance Plan of the Zone as if fully set forth herein, and are made a part hereof for all purposes:

Project Plan

- | | |
|--|---------------------------------------|
| 1. Survey and Field Notes of Property | Exhibit 1 |
| 2. Map of proposed improvements and uses-
Tres Lagos Master Plan | Exhibit 2A |
| Map of existing uses and conditions | Exhibit 2B |
| 3. Proposed changes of zoning ordinances, waivers and
exceptions to subdivision rules and regulations | Exhibit 3 |
| 4. Estimated non-project costs | None claimed |
| 5. Relocation plan for current residents | Not Applicable (no current residents) |

Finance Plan

- | | |
|---|------------------------------|
| 1. Summary | Exhibit 4 |
| 2. Detailed estimate of Project Costs including
Administrative Costs | Exhibit 5 & Exhibit 7 |
| 3. Proposed Public Improvements (location, kind, number) | Exhibit 5 & Exhibit 9 |
| 4. Finding that Plan is economically feasible/economic
feasibility study | Pages 8 & 12 |
| 4. Project timeline | Exhibit 4 & Exhibit 8 |
| 5. Estimated amount of bonded indebtedness | Exhibit 6 & Page 12 |
| 6. Time when costs/obligations will be incurred | Exhibit 5 & Pages 11 & 12 |
| 7. Methods of financing, sources of revenue | Exhibit 6 & Pages 9, 11 & 12 |
| 8. Current total appraised value | Exhibit 4 |
| 9. Estimated captured appraised value | Exhibit 6 & Exhibit 7 |
| 10. Duration of Zone | Exhibit 4 |

Exhibit I
Field Notes of Property & Survey

Tract 1: A tract of land containing 2561.402 acres situated in the County of Hidalgo, Texas, being 2571.402 acres comprised of 1.) 18.865 acres being a part or portion of LOT 54-7, OUT OF THE AMENDED MAP OF LOTS 53-6, 54-6, 55-6, 56-6, 57-6, 58-6, 59-6, 53-7, 54-7, 55-7, 56-7, 57-7, 58-7, 59-7, 53-8 & 53-9, WEST ADDITION TO SHARYLAND SUBDIVISION, according to the plat thereof recorded in Volume 6, Page 42, Hidalgo County Map Records, 2.) ALL OF SECTION 223, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 8, Page 54, Hidalgo County Map Records; 3.) ALL OF SECTION 224, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 411, Page 149-150, Hidalgo County Deed Records; 4.) a part or portion of SECTION 227, TEXAS-MEXICAN RAILWAY CO. SURVEY; 5.) a part or portion of SECTION 230, TEXAS-MEXICAN RAILWAY CO. SURVEY; 6.) a part or portion of SECTION 232, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the patent issued by the State of Texas, to W. S. Daugherty recorded in Volume 4, Page 142-143, Hidalgo County Deed Records, SAVE AND EXCEPT 10.00 acres conveyed to Hidalgo County Irrigation District No. 7 by virtue of a Warranty Deed recorded in Volume 622, Page 638, Hidalgo County Deed Records, said 2571.402 acres also being more particularly described as follows:

BEGINNING at the Northeast corner of Section 232 Texas –Mexican Railway Co. Survey located on the city limits of the City of McAllen for the Northeast corner of this tract;

1. THENCE, in a Southwesterly direction along the East Lot line of Lot 232 and the city limits of the City of McAllen to the Southeast corner of said lot for the Northernmost Southeast corner of this tract;

2. THENCE, N 80° 23' 30" W along the South line of said Section 232, the North line of Lots 35-68, Section 229, Tex-Mex as per plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, and within Mile 9 Road right-of-way, a distance of 5175.14 feet to an iron pipe found for the Southwest corner of said Section 232, and the Northeast corner of Section 230 for an inside corner of this tract;

3. THENCE, S 09° 05' 05" W along the East line of said Section 230, and the West line of Section 229, as per said plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, at a distance of 2519.05 feet pass an iron pipe found in line, and now continuing along the West line of Section 229, Tex-Mex, as per plat thereof recorded in Volume 12, Page 22, Hidalgo County Map Records, and continuing a total distance of 3295.30 to an outside corner of this tract;

4. THENCE, N 80° 48' 32" W a distance of 251.52 feet (250.00 feet) to an iron rod set for an inside corner of this tract;

5. THENCE, S 08° 44' 55" W, at a distance of 20.00 pass an iron pipe found in line, and continuing a total distance of 250.00 feet to an iron pipe found for an outside corner of this tract;
6. THENCE, N 80° 55' 38" W a distance of 2503.36 feet (2503.2 feet) to an iron pipe found for an inside corner of this tract;
7. THENCE, S 09° 02' 13" W at a distance of 1611.44 feet pass the North right-of-way line of Mile 8 Road, and continuing a total distance of 1631.44 feet to the Southernmost Southeast corner of this tract;
8. THENCE, N 80° 48' 07" W along the South line of said Section 230, and within said Mile 8 Road right-of-way, a distance of 627.20 feet to an iron rod found for the centerline of Glasscock Road, and for an angle point of this tract;
9. THENCE, N 80° 47' 57" W along the South line of said Section 230, said Section 223, and within said Mile 8 Road right-of-way, a distance of 2644.96 feet to a concrete monument found for the centerline of Stewart Road, and for an angle point of this tract;
10. THENCE, N 81° 10' 51" W along the South line of said Section 223, and within said Mile 8 Road right-of-way, at a distance of 2658.21 feet pass an iron rod found in line and for the center line of Bryan Road, and continuing a total distance of 4164.66 feet to the Southwest corner of said Section 223, and for the Southernmost Southwest corner of this tract;
11. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 1554.21 feet to an iron rod set for an inside corner of this tract;
12. THENCE, N 81° 02' 31" W along the South line of said Section 223, and said Section 224, at a distance of 1161.82 feet pass an iron rod found in line, at a distance of 2462.04 feet pass an iron rod found in line, and continuing a total distance of 2915.12 feet to an iron pipe found for the Southwest corner of said Section 224 and to a point on the East line of said Lot 54-7, for an inside corner of this tract;
13. THENCE, S 08° 59' 01" W along the East line of said Lot 54-7, a distance of 110.00 feet to the Southeast corner of said Lot 54-7, for an outside corner of this tract;
14. THENCE, N 81° 17' 16" W along the South line of said Lot 54-7, at a distance of 761.50 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 791.50 feet to the Southwest corner of said Lot 54-7, for the Northernmost Southwest corner of this tract;

15. THENCE, N 08° 42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 280.00 feet to an outside corner of this tract;
16. THENCE, S 81° 17' 16" E at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing along the South line of The Frass Subdivision (Vol.25, Pg.134-A H.C.M.R.), for a total distance of 205.00 feet to a No.4 rebar set at the Southeast corner of said The Frass Subdivision, for an inside corner of this tract;
17. THENCE, N 08° 42' 46" E along the East line of said The Frass Subdivision, a distance of 125.00 feet to a No.4 rebar set at the Northeast corner of said The Frass Subdivision, for an inside corner of this tract;
18. THENCE, N 81° 17'16" W along the North line of said The Frass Subdivision, at a distance of 175.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 205.00 feet to an outside corner of this tract;
19. THENCE, N 08° 42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 692.13 feet to the Southernmost Northwest corner of this tract;
20. THENCE, S 81° 17' 16" E along the South line of a certain 3.82-acre tract, at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 746.69 feet to a No.4 rebar set for an outside corner of this tract;
21. THENCE, S 08° 59' 01" W along the West line of a tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7 (now United Irrigation District) by virtue of a Deed recorded in Vol.519, Pg.65, Hidalgo County Deed Records, a distance of 477.14 feet to a No.4 rebar set for an inside corner of this tract;
22. THENCE, S 81° 17' 16" E along the South line of said tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7, a distance of 50.00 feet to a No.4 rebar set for an inside corner of this tract;
23. THENCE, N 08° 59' 01" E along the West line of said Section 224, a distance of 2284.35 feet to an iron pipe found for the Northwest corner of said Section 224, and for an outside corner of this tract;

24. THENCE, S 81° 02' 31" E along the North line of said Section 224, a distance of 2554.12 feet to an iron rod set for the Northeast corner of said Section 224, and for an inside corner of this tract;

25. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 854.95 feet to an iron pipe found for the Northwest corner of said Section 223, and for an outside corner of this tract;

26. THENCE, S 80° 46' 58" E along the North line of said Section 223, a distance of 3177.65 feet to an iron pipe found for an angle point of this tract;

27. THENCE, S 80° 45' 29" E along the North line of said Section 223, a distance of 2102.46 feet to an iron pipe found for the Northeast corner of said Section 223, and for an inside corner of this tract;

28. THENCE, N 09° 03' 26" E along the West line of said Section 227, at a distance of 3795.04 feet pass an iron pipe found in line, and continuing a distance of 5216.19 feet to an iron pipe found for the South right-of-way line of Monte Cristo Road (F.M. 1925) and a distance of 5,256.19 feet to the Northwest corner of Section 227 and the Northernmost Northwest corner of this tract;

29. THENCE, in a Southeasterly direction along the North lot line of Section 227 and 232 to the Northeast corner of Section 232 to the POINT OF BEGINNING, and containing 2571.402 acres, SAVE AND EXCEPT the above mentioned 10.00 acres conveyed to Hidalgo County Irrigation District No. 7, leaving 2,561.402 acres of land, more or less, as shown in Exhibit A.

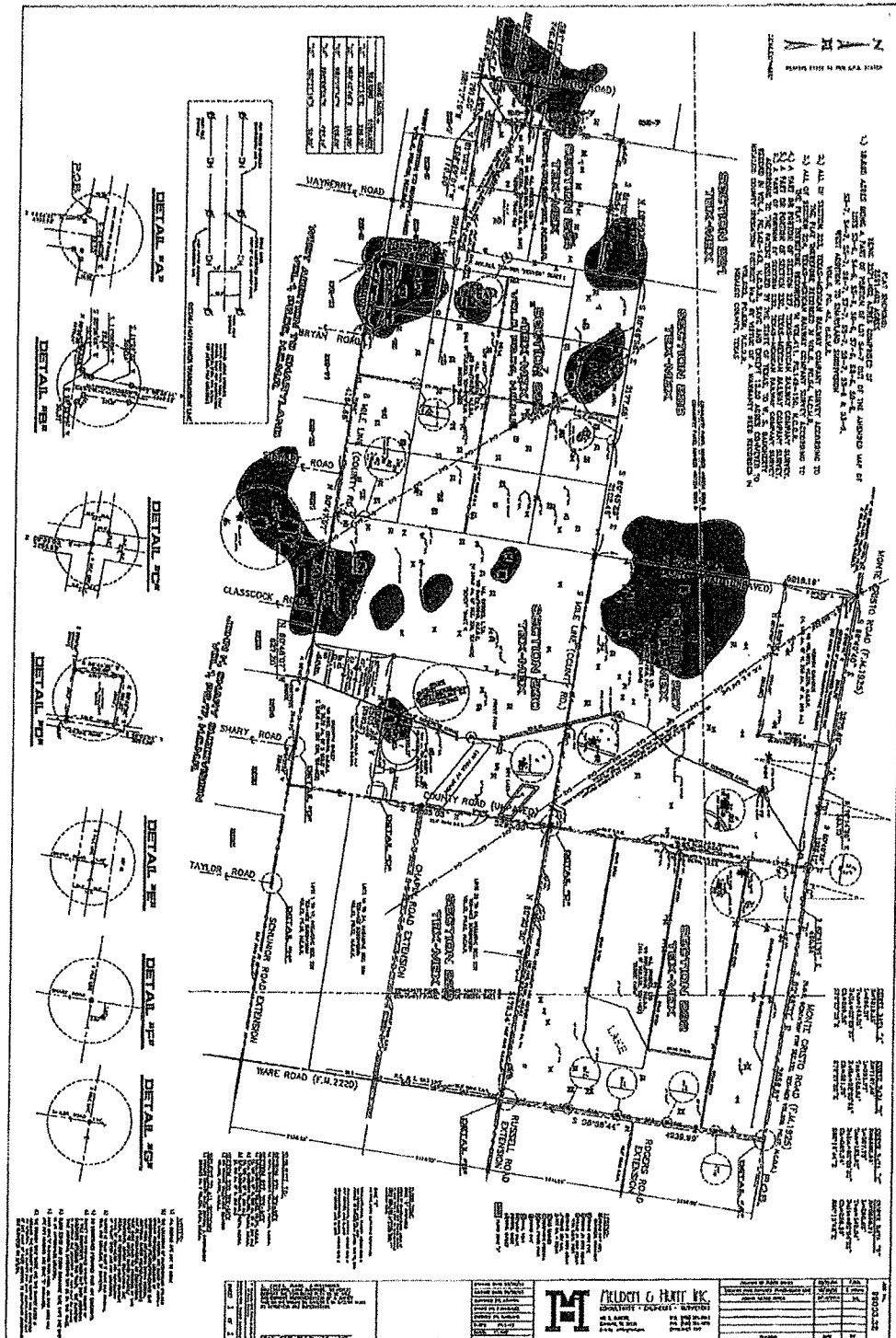


Exhibit 2
A. Map of Proposed Improvements and Uses



B. Map of Existing Uses and Conditions

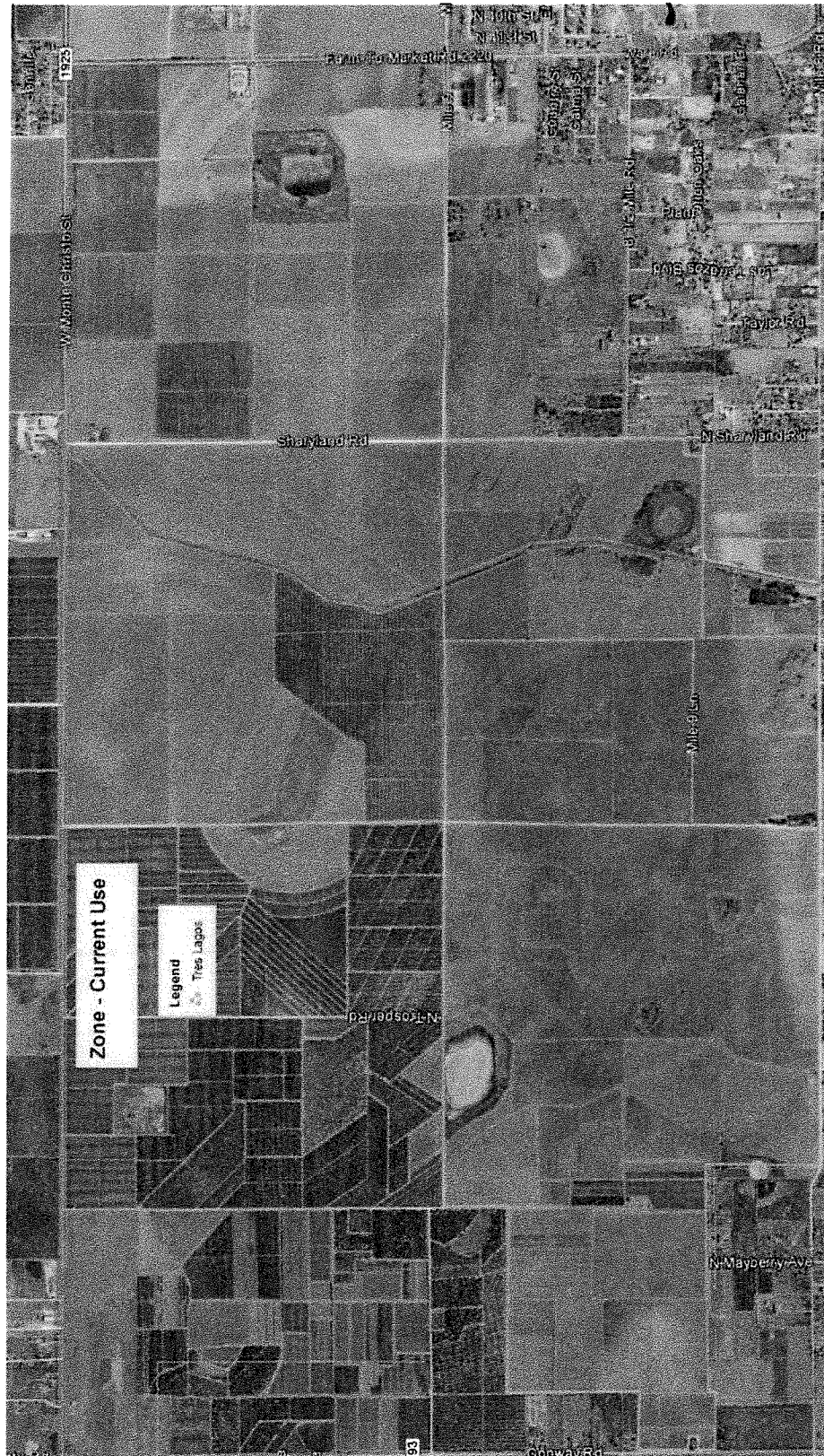


Exhibit 3

A. Waivers and Exceptions to the City of McAllen Platting Regulations

The following specific waivers and exceptions will be required for the Project.

1. The requirement that two access points must be provided into any subdivision with over 20 lots shall not apply to this Project. Emergency access walks/drives shall be recognized as secondary access points for emergency service vehicles.
2. The requirement that the maximum street length ending in a cul-de-sac shall be 600 feet will not apply to this Project provided the unit of development enjoying the variance is designed and platted using the 'coving method' and there are emergency access walks/drives serving the unit of development.
3. The requirements pertaining to sidewalks contained in the City's Development Code will not apply to this Project provided a sidewalk having a width of at least adequate for pedestrian and bike traffic is provided in a plan that is sealed by the registered engineer designing the unit of development.
4. The requirements pertaining to side yard set-backs from property line will be five (5) feet rather than six (6) feet as required by the City Development Code.
5. The requirements pertaining to front yard set-backs for R-1 zoning will be 20 feet rather than the 25 feet as required by the City Development Code.
6. There will be no park fee collected because the parkland dedication will exceed the CITY's requirements as of 10/30/2014.

B. Current and Future Land Use/Zoning

Tract	Acreage	Current Land Use	Zoning District
1	28.7499 acres	Open Space-Agricultural	C-4- Commercial Industrial
2	15.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
3	11.5000 acres	Open Space-Agricultural	C-4- Commercial Industrial
4	55.000 acres	Open Space-Agricultural	R-1- Single Family Residential
5	81.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
6	2.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
7	12.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
8	15.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
9	100.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
10	4.4665 acres	Open Space-Agricultural	R-1- Single Family Residential
11	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
12	5.4285 acres	Open Space-Agricultural	R-1- Single Family Residential
13	79.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
14	19.6183 acres	Open Space-Agricultural	C-4- Commercial Industrial
15	15.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
16	8.1425 acres	Open Space-Agricultural	C-4- Commercial Industrial
17	52.0000 acres	Open Space-Agricultural	R-1- Single Family Residential

18	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
19	7.4507 acres	Open Space-Agricultural	C-4- Commercial Industrial
20	18.3713 acres	Open Space-Agricultural	C-4- Commercial Industrial
21	35.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
22	25.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
23	30.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
24	56.9548 acres	Open Space-Agricultural	C-4- Commercial Industrial
25	39.7438 acres	Open Space-Agricultural	C-4- Commercial Industrial
26	40.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
27	5.6970 acres	Open Space-Agricultural	R-1- Single Family Residential
28	99.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
29	21.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
30	29.1412 acres	Open Space-Agricultural	R-3A- Apartment Residential
31	43.7021 acres	Open Space-Agricultural	R-3A- Apartment Residential
32	18.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
33	60.5814 acres	Open Space-Agricultural	R-1- Single Family Residential
34	42.4782 acres	Open Space-Agricultural	C-4- Commercial Industrial
35	1.6301 acres	Open Space-Agricultural	C-4- Commercial Industrial
36	33.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
37	41.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
38	6.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
39	49.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
40	67.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
41	40.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
42	12.2107 acres	Open Space-Agricultural	R-1- Single Family Residential
43	68.6857 acres	Open Space-Agricultural	R-1- Single Family Residential
44	23.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
45	41.7396 acres	Open Space-Agricultural	C-4- Commercial Industrial
46	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
47	67.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
48	23.9745 acres	Open Space-Agricultural	R-3A- Apartment Residential
49	62.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
50	6.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
51	92.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
52	10.3235 acres	Open Space-Agricultural	R-1- Single Family Residential
53	57.3405 acres	Open Space-Agricultural	R-1- Single Family Residential
54	6.3298 acres	Open Space-Agricultural	C-4- Commercial Industrial
55	79.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
56	8.0321 acres	Open Space-Agricultural	R-1- Single Family Residential
57	57.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
58	6.2000 acres	Open Space-Agricultural	R-1- Single Family Residential
59	57.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
60	46.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
61	3.1158 acres	Open Space-Agricultural	R-1- Single Family Residential
62	1.5466 acres	Open Space-Agricultural	R-1- Single Family Residential
63	59.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
64	3.9616 acres	Open Space-Agricultural	C-4- Commercial Industrial
65	0.7792 acres	Open Space-Agricultural	C-4- Commercial Industrial
66	29.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
67	42.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
68	16.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
69	6.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
70	12.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
71	0.6336 acres	Open Space-Agricultural	C-4- Commercial Industrial

72	6.9196 acres	Open Space-Agricultural	C-4- Commercial Industrial
73	5.9685 acres	Open Space-Agricultural	C-4- Commercial Industrial
74	72.2971 acres	Open Space-Agricultural	C-4- Commercial Industrial

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Exhibit 4

A. Summary Fact Sheet

Proposed Tres Lagos Tax Increment Finance Zone Estimated 30 Year Build out of Residential, Multi-Family, & Commercial Summary Fact Sheet February 20, 2015			
Site Area	2,571 +/- Acres		
2014 Base Value	\$1,064,613.00		
			Taxable Value
Residential Units (SF/MF) 2.5 du/acre	239 Acres	\$	289,261,974.70
3.5 du/acre	513 Acres	\$	646,356,673.82
4.5 du/acre	697 Acres	\$	575,364,753.07
Multifamily 10 du/acre	48 Acres	\$	58,642,983.99
Multifamily 15 du/acre	70 Acres	\$	90,841,924.27
Townhomes 8 du/acre	75 Acres	\$	110,833,324.31
Sales Center	4 Acres	\$	1,000,000.00
Commercial / Retail	192 Acres	\$	319,976,279.19
Commercial / Office	97 Acres	\$	267,955,187.64
University Campus/Flex	105 Acres	\$	209,547,875.14
School Site	80 Acres	\$	-
Church, Mosque, Synagogue	90 Acres	\$	-
Roadway	135 Acres	\$	-
Drainage	76 Acres	\$	-
Parks	121 Acres	\$	-
Totals	2,542 Acres	\$	2,569,780,976.14
Estimated Taxable Value Created	\$ 2,569,780,976		
McAllen TIF Assessed Rate	\$ 0.4313		
County TIF Assessed Rate	\$ 0.5308		
Tax Collection Rate	100.00%		
Est. Infrastructure Costs	\$ 258,940,901		
Est. Total Net TIF Revenues	\$ 264,308,634		
Excess (Shortage) TIF Revenues	\$ 5,367,733		
Est. TIF Life	30 Years		

The projections and estimates contained in this Finance and Project Plan are subject to and may be impacted by market & economic conditions both domestic & international. Actual completion & construction of the Project may take more or less time than described herein. However it is understood that the Developer will use its best efforts to complete the project as quickly as economically feasible. A growth rate of 1.015% per year has been used to establish value of future tax basis.

B. Overall Summary with Escalators Table

Proposed Tres Lagos Tax Increment Finance Zone
Finance Plan - Overall Summary with Escalators (30 year)
Tax Value added by year with escalator

Development Type/ by acre	Development Year	2015	2016	2017	2018	2019	2020
	Total Current Value	1	2	3	4	5	6
Single Family 2.5 du/acre	293,025,000	-	8,035,845	8,155,875	8,278,215	8,402,386	8,528,422
Single Family 3.5 du/acre	520,695,000	-	17,955,000	18,224,325	18,497,690	18,775,155	19,056,783
Single Family 4.5 du/acre	463,505,000	-	15,982,931	16,222,675	16,466,015	16,713,005	16,963,700
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	171,517,500	-	-	-	6,352,500	6,447,788	6,544,504
Multifamily 30 du/acre	48,000,000	-	-	-	1,777,778	1,804,444	1,831,511
Multifamily 35 du/acre	82,950,000	-	-	-	-	6,980,769	-
Townhomes 8 du/acre	90,000,000	-	-	3,214,286	3,262,500	3,311,438	3,361,109
Retail & Commercial	261,904,500	-	-	-	9,700,167	9,845,669	9,993,354
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	1,000,000	250,000	-	-	-	-	250,000
Office Use	219,324,600	-	-	-	8,123,133	8,244,980	8,368,655
Major Drainage way	-	-	-	-	-	-	-
Added Value	2,091,921,600	250,000	41,973,276	45,817,161	71,457,995	79,925,635	74,898,039
Projected Construction Costs	232,396,315	22,609	3,795,823	4,143,442	6,552,687	7,228,018	6,773,351
Proposed Tax Revenue - City of McAllen		863	145,687	303,775	553,784	829,559	1,087,987
Proposed Tax Revenue - Hidalgo County		1,022	172,573	359,835	655,983	982,652	1,288,772

Development Type/ by acre	2021	2022	2023	2024	2025	2026	2027
	7	8	9	10	11	12	13
Single Family 2.5 du/acre	8,656,348	8,786,194	8,917,987	9,051,756	9,187,533	9,325,346	9,465,226
Single Family 3.5 du/acre	19,342,634	19,632,774	19,927,265	20,226,174	20,529,567	20,837,511	21,150,073
Single Family 4.5 du/acre	17,218,156	17,476,428	17,738,575	18,004,653	18,274,723	18,548,844	18,827,077
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	6,642,672	6,742,312	6,843,447	6,946,098	7,050,290	7,156,044	7,263,385
Multifamily 30 du/acre	1,858,984	1,886,869	1,915,172	1,943,899	1,973,058	2,002,653	2,032,693
Multifamily 35 du/acre	6,476,481	-	6,573,628	-	6,672,232	-	6,772,316
Townhomes 8 du/acre	3,411,526	3,462,699	3,514,639	3,567,359	3,620,869	3,675,182	3,730,310
Retail & Commercial	10,143,255	10,295,403	10,449,834	10,606,582	10,765,681	10,927,166	11,091,073
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	-	-	-	-	250,000	-	-
Office Use	8,494,185	8,621,598	8,750,922	8,882,185	9,015,418	9,150,649	9,287,909
Major Drainage way	-	-	-	-	-	-	-
Added Value	82,244,240	76,904,276	84,631,468	79,228,708	87,339,371	81,623,395	89,620,062
Projected Construction Costs	7,437,699	6,954,784	7,653,587	7,184,992	7,898,474	7,381,554	8,104,717
Proposed Tax Revenue - City of McAllen	1,371,763	1,637,113	1,929,126	2,202,497	2,503,052	2,785,486	3,094,711
Proposed Tax Revenue - Hidalgo County	1,624,917	1,939,237	2,285,140	2,608,960	2,965,930	3,298,538	3,665,829

Overall Summary with Escalators Table (Continued)

	2028	2029	2030	2031	2032	2033	2034
Development Type/ by acre	14	15	16	17	18	19	20
Single Family 2.5 du/acre	9,607,204	9,751,312	9,897,582	10,046,046	10,196,736	10,348,628	10,504,933
Single Family 3.5 du/acre	21,467,324	21,789,334	22,116,174	22,447,917	22,784,636	23,126,405	23,473,301
Single Family 4.5 du/acre	19,109,483	19,396,125	19,687,067	19,982,373	20,282,109	20,586,340	20,895,155
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	7,372,336	7,482,921	7,595,164	7,709,092	7,824,728	7,942,099	8,061,231
Multifamily 30 du/acre	2,063,184	2,094,131	2,125,543	2,157,427	2,189,788	2,222,635	2,255,974
Multifamily 35 du/acre	-	6,873,901	-	6,977,009	-	7,081,664	-
Townhomes 8 du/acre	3,786,264	3,843,058	3,900,704	3,959,215	4,018,603	4,078,882	4,140,065
Retail & Commercial	11,257,439	11,426,301	11,597,696	11,771,661	11,948,236	12,127,459	12,309,371
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	-	-	250,000	-	-	-	-
Office Use	9,427,228	9,568,636	9,712,166	9,857,848	10,005,716	10,155,802	10,308,139
Major Drainage way	-	-	-	-	-	-	-
Added Value	84,090,462	92,225,720	86,882,097	94,908,587	89,250,552	97,670,974	91,948,150
Projected Construction Costs	7,604,661	8,340,367	7,857,121	8,582,991	8,071,310	8,832,805	8,315,266
Proposed Tax Revenue - City of McAllen	3,384,857	3,703,072	4,002,850	4,350,323	4,638,273	4,975,277	5,292,535
Proposed Tax Revenue - Hidalgo County	4,009,321	4,386,462	4,741,563	5,129,470	5,494,251	5,893,448	6,269,255

	2035	2036	2037	2038	2039	2040	2041
Development Type/ by acre	21	22	23	24	25	26	27
Single Family 2.5 du/acre	10,562,507	10,822,444	10,984,781	11,149,553	11,316,795	11,486,548	11,658,846
Single Family 3.5 du/acre	23,825,401	24,182,782	24,545,523	24,913,706	25,287,412	25,666,723	26,051,724
Single Family 4.5 du/acre	21,208,562	21,526,691	21,849,591	22,177,335	22,509,995	22,847,645	23,190,360
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	8,182,149	8,304,881	8,429,455	8,555,896	8,684,235	8,814,498	8,946,716
Multifamily 30 du/acre	2,289,814	2,324,161	2,359,024	2,394,409	2,430,325	2,466,780	2,503,782
Multifamily 35 du/acre	7,187,889	-	7,295,708	-	7,405,143	-	7,516,220
Townhomes 8 du/acre	4,262,166	4,265,199	4,329,177	4,394,114	4,460,026	4,526,927	4,594,830
Retail & Commercial	12,484,012	12,681,422	12,871,643	13,064,718	13,260,689	13,459,599	13,661,492
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	-	-	-	-	-	-	-
Office Use	10,462,761	10,619,702	10,778,998	10,940,683	11,104,793	11,271,365	11,440,435
Major Drainage way	-	-	-	-	-	-	-
Added Value	100,515,261	94,727,282	103,443,899	97,590,415	106,459,414	100,540,085	109,564,406
Projected Construction Costs	9,090,026	8,566,594	9,354,875	8,825,520	9,627,581	9,092,271	9,908,379
Proposed Tax Revenue - City of McAllen	5,639,352	5,965,200	6,323,122	6,659,848	7,027,176	7,374,079	7,752,130
Proposed Tax Revenue - Hidalgo County	6,680,076	7,057,242	7,490,034	7,893,901	8,324,018	8,734,342	9,182,749

Overall Summary with Escalators Table (Continued)

	2042	2043	2044		
Development Type/ by acre	28	29	30		TOTALS
Single Family 2.5 du/acre	11,833,729	12,011,235	12,191,403	289,261,975	289,261,975
Single Family 3.5 du/acre	26,442,500	26,839,137	27,241,724	646,356,674	646,356,674
Single Family 4.5 du/acre	23,538,215	23,891,288	24,249,657	575,364,753	575,364,753
School Site	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-
Technology Park/Campus	9,080,917	9,217,130	9,355,367	209,547,875	209,547,875
Multifamily 10 du/acre	2,541,332	2,579,458	2,618,150	58,642,984	58,642,984
Multifamily 15 du/acre	-	7,628,964	-	90,841,924	90,841,924
Townhomes 8 du/acre	4,663,753	4,733,709	4,804,715	110,833,324	110,833,324
Retail & Commercial	13,866,416	14,074,412	14,285,528	319,976,279	319,976,279
Perimeter ROW	-	-	-	-	-
Interior ROW	-	-	-	-	-
Drainage way & Park	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-
Park with Main Trail	-	-	-	-	-
Sales Center	-	-	-	1,000,000	1,000,000
Office Use	11,612,042	11,786,223	11,963,016	267,955,188	267,955,188
Major Drainage way	-	-	-	-	-
Added Value	103,578,909	112,761,556	106,709,581	2,569,780,976	2,569,780,976
Projected Construction Costs	9,367,085	10,197,511	9,650,205	-	232,396,315
Proposed Tax Revenue - City of McAllen	8,109,509	8,498,582	8,866,772	-	120,990,149
Proposed Tax Revenue - Hidalgo County	9,606,092	10,066,967	10,503,106	-	143,318,484

Exhibit 5
Sources & Uses Table

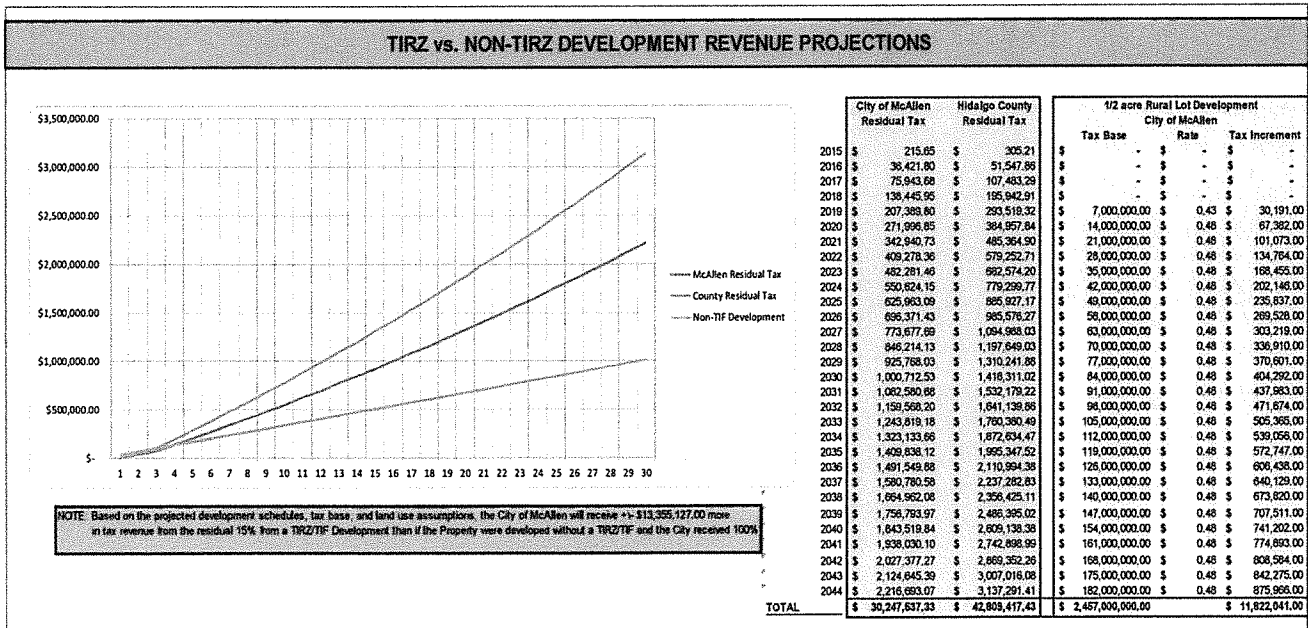
Proposed Tres Lagos Tax Increment Finance Zone Sources & Uses					
Sources of Funds					
Net TIF Revenues City of McAllen		\$	120,990,149		
Net TIF Revenues Hidalgo County		\$	143,318,484		
Total Sources of Funds		\$	264,308,634		
Uses Of Funds					
	Units	Amount	Cost Per Unit	Location	Total Infrastructure Improvements
Public Improvements					
Internal Hard Project Costs					
Site Work	Acres	1550	\$ 2,500.00	Project Site	\$ 3,875,000
Mile 9 Russell Rd Pav/Drain/light	L.F.	27560	\$ 513.00	Site	\$ 14,138,280
Shary & Bryan Pav/Drain/light	L.F.	11900	\$ 479.50	Site	\$ 5,706,050
Glasscock/Stewart/Mayberry	L.F.	10400	\$ 354.50	Site	\$ 3,686,800
Int. Streets & Drainage	L.F.	154560	\$ 214.50	Project Site	\$ 53,596,698
Water Reuse System; and Lakes	L.F.	154,460	\$ 39.00	Project Site	\$ 14,969,651
Water	L.F.	154,560	\$ 50.00	Project Site	\$ 26,196,890
Spine Water Main	34,100 LF of 20 in. & 16 in	LS	na	Offsite and Onsite	\$ 3,400,000
Spine Sanitary Sewer Main	15 to 21 inch SS	LS	na	Onsite	\$ 2,200,000
Drain Ditch Xings	10' x 10' Box Culvert Xing	5	\$ 150,000.00	Ditch Xing with Roads	\$ 750,000
Spine Water Reuse	Lake Lining/pumps/tanks	LS	na	50 ac of lake reservoir	\$ 3,000,000
Sewer	L.F.	154,560	\$ 52.00	Project Site	\$ 25,662,259
Parks w/amenities & Landscaping	Acres	121	\$ 100,000.00	Project Site	\$ 12,100,000
Main Entrances	Each	3	\$ 350,000.00	Project Site	\$ 1,050,000
Minor Entrances	Each	21	\$ 75,000.00	Project Site	\$ 1,575,000
Roundabouts	Each	3	\$ 85,000.00		\$ 255,000
Bus Stops	Each	5	\$ 35,000.00	Project Site	\$ 175,000
Mail Box Clusters	Each	8500	\$ 100.00	Project Site	\$ 850,000
Water Impact Fees	AcFt	3125	\$ 2,500.00	Project Site	\$ 7,812,500
Sewer Impact Fees				Project Site	\$ -
Sidewalks	S.F.	755,117	\$ 4.00	Project Site	\$ 3,020,468
Purchase of Real Property	Acres	40	\$ 15,000.00	South Area	\$ 600,000
Masonry Walls	LF	52800	\$ 80.00		\$ 4,224,000
Common Hard Costs					
FTTH, Comm. Wi-Fi, Surveillance		varies	varies	Project Site	\$ 13,779,000
				Sub Total:	\$ 202,622,596
Soft Project Costs					
Engineering/Surveying/Consulting					\$ 16,209,808
Construction Management					\$ 2,532,782
Formation Costs & Consulting					\$ 900,000
Contingency & City Public Improvements (approx. \$4,050,000.00) plus Pre-TIRZ Administrative Costs (up to \$70,000)					\$ 10,131,130
Subtotals					\$ 232,396,316
EXPENSE:					
Total Infrastructure		\$	232,396,316		
Interest Expense / Finance Costs (estimated) @ 4.5%		\$	26,144,585		
Total		\$	258,540,901		
Admin. Expenses (City & County)		\$	400,000		
Grand Total		\$	258,940,901		
REVENUE:					
Total TIF Revenue		\$	264,308,634		
Project Financing Surplus (Shortage)		\$	5,367,733		

The above allocation of costs are estimated and may be changed or adjusted by action of the Board of the TIRZ to meet project requirements pursuant to Section 13.3 of the Development Agreement, however the total maximum contributions of the participating taxing entities and term of the Zone may not be increased without approval by the City Commission and County Commissioners Court.

Exhibit 6
A. TIF Revenue Build Out Assumptions

Proposed Tres Lagos Tax Increment Finance Zone TIF Revenue Build Out Assumptions													
TIF Assessed Values					City of McAllen Tax - TIF (80% of M & O Tax Rate)			Hidalgo County (77% of M&O Rate)			Edinburg ISD		
Tax Year	Beginning Assessed Tax Value	Annual Value of New Tax Development	Projected Year-End Tax Assessed Value	Projected Captured Tax Value	Taxable Value	Rate	Tax Increment	Taxable Value	Rate	Tax Increment	Taxable Value	Rate	Tax Increment
2014													
2015	\$ -	\$ 250,000	\$ 250,000	\$ 250,000	\$ 250,000	0.345040	\$ 863	\$ 250,000	0.408716	\$ 1,022	\$ 250,000	1.238800	\$ 3,100
2016	\$ 250,000	\$ 41,973,276	\$ 42,223,276	\$ 42,223,276	\$ 42,223,276	0.345040	\$ 145,687	\$ 42,223,276	0.408716	\$ 172,573	\$ 42,223,276	1.238800	\$ 523,484
2017	\$ 42,223,276	\$ 45,817,161	\$ 88,040,437	\$ 88,040,437	\$ 88,040,437	0.345040	\$ 303,775	\$ 88,040,437	0.408716	\$ 359,835	\$ 88,040,437	1.238800	\$ 1,091,525
2018	\$ 88,040,437	\$ 72,457,996	\$ 160,498,432	\$ 160,498,432	\$ 160,498,432	0.345040	\$ 553,784	\$ 160,498,432	0.408716	\$ 655,983	\$ 160,498,432	1.238800	\$ 1,989,860
2019	\$ 160,498,432	\$ 79,925,635	\$ 240,424,068	\$ 240,424,068	\$ 240,424,068	0.345040	\$ 829,559	\$ 240,424,068	0.408716	\$ 982,652	\$ 240,424,068	1.238800	\$ 2,900,778
2020	\$ 240,424,068	\$ 74,898,039	\$ 315,322,106	\$ 315,322,106	\$ 315,322,106	0.345040	\$ 1,087,987	\$ 315,322,106	0.408716	\$ 1,288,772	\$ 315,322,106	1.238800	\$ 3,909,363
2021	\$ 315,322,106	\$ 82,244,240	\$ 397,566,347	\$ 397,566,347	\$ 397,566,347	0.345040	\$ 1,371,783	\$ 397,566,347	0.408716	\$ 1,624,917	\$ 397,566,347	1.238800	\$ 4,929,028
2022	\$ 397,566,347	\$ 76,904,276	\$ 474,470,622	\$ 474,470,622	\$ 474,470,622	0.345040	\$ 1,637,113	\$ 474,470,622	0.408716	\$ 1,936,237	\$ 474,470,622	1.238800	\$ 5,862,487
2023	\$ 474,470,622	\$ 84,631,488	\$ 559,102,090	\$ 559,102,090	\$ 559,102,090	0.345040	\$ 1,929,128	\$ 559,102,090	0.408716	\$ 2,285,140	\$ 559,102,090	1.238800	\$ 6,931,748
2024	\$ 559,102,090	\$ 79,228,708	\$ 638,330,798	\$ 638,330,798	\$ 638,330,798	0.345040	\$ 2,202,497	\$ 638,330,798	0.408716	\$ 2,608,960	\$ 638,330,798	1.238800	\$ 7,914,025
2025	\$ 638,330,798	\$ 87,339,371	\$ 725,670,168	\$ 725,670,168	\$ 725,670,168	0.345040	\$ 2,503,852	\$ 725,670,168	0.408716	\$ 2,965,930	\$ 725,670,168	1.238800	\$ 8,906,850
2026	\$ 725,670,168	\$ 81,623,395	\$ 807,293,564	\$ 807,293,564	\$ 807,293,564	0.345040	\$ 2,785,486	\$ 807,293,564	0.408716	\$ 3,299,538	\$ 807,293,564	1.238800	\$ 10,008,826
2027	\$ 807,293,564	\$ 89,620,062	\$ 896,913,626	\$ 896,913,626	\$ 896,913,626	0.345040	\$ 3,084,711	\$ 896,913,626	0.408716	\$ 3,665,829	\$ 896,913,626	1.238800	\$ 11,119,835
2028	\$ 896,913,626	\$ 84,090,462	\$ 981,004,088	\$ 981,004,088	\$ 981,004,088	0.345040	\$ 3,384,857	\$ 981,004,088	0.408716	\$ 4,009,521	\$ 981,004,088	1.238800	\$ 12,162,489
2029	\$ 981,004,088	\$ 92,225,720	\$ 1,073,229,808	\$ 1,073,229,808	\$ 1,073,229,808	0.345040	\$ 3,703,072	\$ 1,073,229,808	0.408716	\$ 4,386,452	\$ 1,073,229,808	1.238800	\$ 13,305,803
2030	\$ 1,073,229,808	\$ 86,892,097	\$ 1,160,111,904	\$ 1,160,111,904	\$ 1,160,111,904	0.345040	\$ 4,002,850	\$ 1,160,111,904	0.408716	\$ 4,741,563	\$ 1,160,111,904	1.238800	\$ 14,383,067
2031	\$ 1,160,111,904	\$ 94,808,587	\$ 1,255,020,492	\$ 1,255,020,492	\$ 1,255,020,492	0.345040	\$ 4,330,323	\$ 1,255,020,492	0.408716	\$ 5,129,470	\$ 1,255,020,492	1.238800	\$ 15,559,744
2032	\$ 1,255,020,492	\$ 89,250,552	\$ 1,344,271,043	\$ 1,344,271,043	\$ 1,344,271,043	0.345040	\$ 4,638,273	\$ 1,344,271,043	0.408716	\$ 5,494,251	\$ 1,344,271,043	1.238800	\$ 16,866,272
2033	\$ 1,344,271,043	\$ 97,670,974	\$ 1,441,942,018	\$ 1,441,942,018	\$ 1,441,942,018	0.345040	\$ 4,975,277	\$ 1,441,942,018	0.408716	\$ 5,893,448	\$ 1,441,942,018	1.238800	\$ 17,877,197
2034	\$ 1,441,942,018	\$ 91,948,150	\$ 1,533,890,167	\$ 1,533,890,167	\$ 1,533,890,167	0.345040	\$ 5,292,535	\$ 1,533,890,167	0.408716	\$ 6,269,255	\$ 1,533,890,167	1.238800	\$ 19,017,177
2035	\$ 1,533,890,167	\$ 100,515,281	\$ 1,634,405,428	\$ 1,634,405,428	\$ 1,634,405,428	0.345040	\$ 5,639,352	\$ 1,634,405,428	0.408716	\$ 6,680,076	\$ 1,634,405,428	1.238800	\$ 20,263,358
2036	\$ 1,634,405,428	\$ 94,727,282	\$ 1,729,132,711	\$ 1,729,132,711	\$ 1,729,132,711	0.345040	\$ 5,966,200	\$ 1,729,132,711	0.408716	\$ 7,067,242	\$ 1,729,132,711	1.238800	\$ 21,437,787
2037	\$ 1,729,132,711	\$ 103,443,899	\$ 1,832,576,610	\$ 1,832,576,610	\$ 1,832,576,610	0.345040	\$ 6,323,122	\$ 1,832,576,610	0.408716	\$ 7,490,034	\$ 1,832,576,610	1.238800	\$ 22,720,285
2038	\$ 1,832,576,610	\$ 97,580,415	\$ 1,930,167,024	\$ 1,930,167,024	\$ 1,930,167,024	0.345040	\$ 6,659,828	\$ 1,930,167,024	0.408716	\$ 7,888,901	\$ 1,930,167,024	1.238800	\$ 23,930,211
2039	\$ 1,930,167,024	\$ 106,459,414	\$ 2,036,626,438	\$ 2,036,626,438	\$ 2,036,626,438	0.345040	\$ 7,027,176	\$ 2,036,626,438	0.408716	\$ 8,324,018	\$ 2,036,626,438	1.238800	\$ 25,250,095
2040	\$ 2,036,626,438	\$ 100,540,085	\$ 2,137,166,523	\$ 2,137,166,523	\$ 2,137,166,523	0.345040	\$ 7,374,079	\$ 2,137,166,523	0.408716	\$ 8,734,942	\$ 2,137,166,523	1.238800	\$ 26,496,591
2041	\$ 2,137,166,523	\$ 109,564,406	\$ 2,246,730,930	\$ 2,246,730,930	\$ 2,246,730,930	0.345040	\$ 7,752,120	\$ 2,246,730,930	0.408716	\$ 9,162,749	\$ 2,246,730,930	1.238800	\$ 27,854,870
2042	\$ 2,246,730,930	\$ 103,578,909	\$ 2,350,309,839	\$ 2,350,309,839	\$ 2,350,309,839	0.345040	\$ 8,109,509	\$ 2,350,309,839	0.408716	\$ 9,608,092	\$ 2,350,309,839	1.238800	\$ 29,139,141
2043	\$ 2,350,309,839	\$ 112,781,556	\$ 2,463,071,395	\$ 2,463,071,395	\$ 2,463,071,395	0.345040	\$ 8,498,582	\$ 2,463,071,395	0.408716	\$ 10,086,967	\$ 2,463,071,395	1.238800	\$ 30,537,159
2044	\$ 2,463,071,395	\$ 106,709,581	\$ 2,569,780,976	\$ 2,569,780,976	\$ 2,569,780,976	0.345040	\$ 8,866,772	\$ 2,569,780,976	0.408716	\$ 10,503,105	\$ 2,569,780,976	1.238800	\$ 31,860,145
\$ 2,669,780,976					\$ 120,990,149			\$ 143,518,484			\$ 434,742,601		
Existing Annual Value Growth Factors					Participation Level (M&O only)			Participation Level					
Year 2014					80%			77%					
Combined Compound Growth Rate					Tax Rate Collection Factor			Tax Rate Collection Factor			100.00%		
The base year (2014) value of the land within the Zone is +/- T&D and does not include the base value, as the taxes generated on the "base value" are paid to the benefit of the appropriate taxing unit and not the TIRZ.													
Revenue Total								City		\$120,990,149			
								County		\$143,518,484			
TOTAL										\$264,508,634			

B. TIRZ v. Non-TIRZ Revenue Projections



C. TIRZ v. Non-TIRZ Revenue Projections (w/Sales Tax)

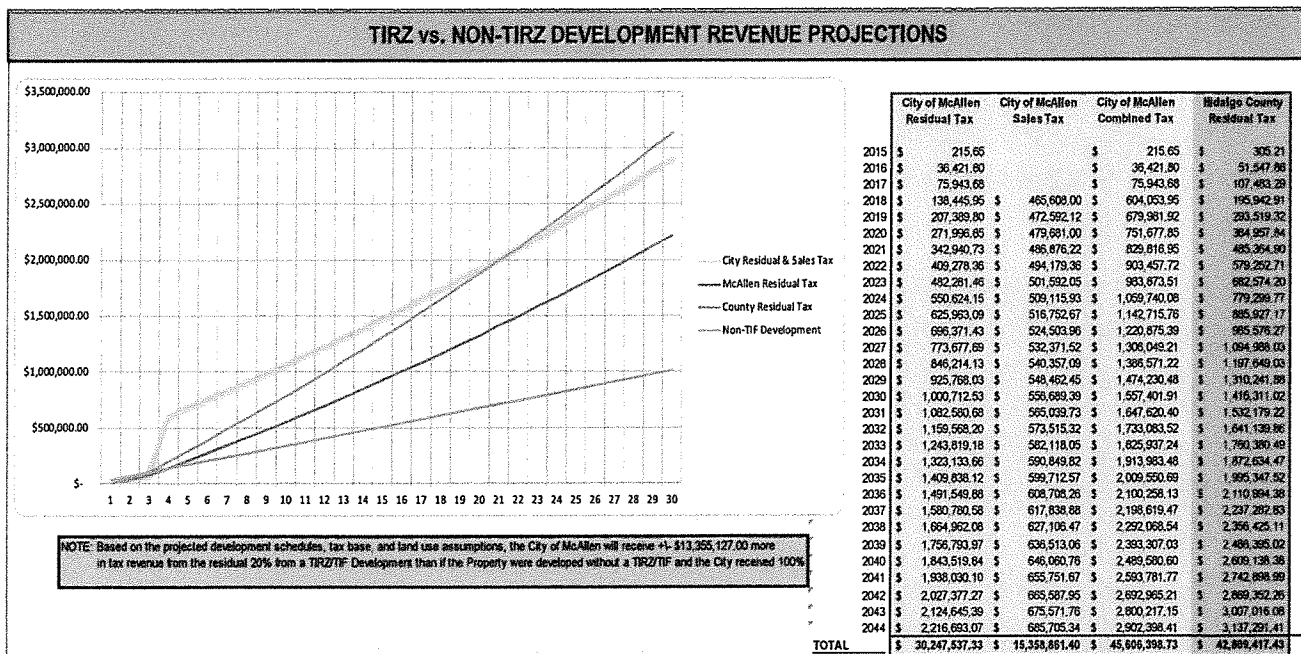


Exhibit 7
Projected Value of Taxable New Improvements

McAllen - Tax Increment Finance Zone #1											
Projected Value of Taxable New Improvements											
Construction Costs of Public Improvements (figures do not include interest, formation or other allowable project costs)											
Year											Total
2016	\$260,000										\$ 260,000
2016		\$ 41,973,276									\$ 41,973,276
2017			\$ 45,817,161								\$ 45,817,161
2018				\$ 72,457,996							\$ 72,457,996
2019					\$ 79,926,636						\$ 79,926,636
2020						\$ 74,898,039					\$ 74,898,039
2021							\$ 82,244,240				\$ 82,244,240
2022								\$ 76,904,276			\$ 76,904,276
2023									\$ 84,631,468		\$ 84,631,468
2024										\$ 79,228,708	\$ 79,228,708
2025										\$ 87,339,371	\$ 87,339,371
2026										\$ 81,623,396	\$ 81,623,396
2027										\$ 89,620,062	\$ 89,620,062
2028										\$ 84,090,462	\$ 84,090,462
2029										\$ 92,226,720	\$ 92,226,720
2030										\$ 86,882,097	\$ 86,882,097
2031										\$ 94,908,687	\$ 94,908,687
2032										\$ 89,260,652	\$ 89,260,652
2033										\$ 97,670,974	\$ 97,670,974
2034										\$ 91,948,180	\$ 91,948,180
2035										\$ 100,616,261	\$ 100,616,261
2036										\$ 94,727,282	\$ 94,727,282
2037										\$ 103,443,899	\$ 103,443,899
2038										\$ 97,590,415	\$ 97,590,415
2039										\$ 106,459,414	\$ 106,459,414
2040										\$ 100,540,085	\$ 100,540,085
2041										\$ 109,564,406	\$ 109,564,406
2042										\$ 103,578,909	\$ 103,578,909
2043										\$ 112,761,556	\$ 112,761,556
2044										\$ 106,709,581	\$ 106,709,581
	\$ 260,000	\$ 41,973,276	\$ 45,817,161	\$ 72,457,996	\$ 79,926,636	\$ 74,898,039	\$ 82,244,240	\$ 76,904,276	\$ 84,631,468	\$ 2,010,678,886	\$ 2,669,780,976

Exhibit 8 Estimated Construction Schedule

McAllen - Tax Increment Finance Zone #1											
Projected Uses of Tax Increment											
Estimated Construction Schedule of Public Improvements (figures do not include interest, formation or other allowable project costs)											
Year											Total
2015	22,608.57										\$ 22,609
2016		\$ 3,795,823									\$ 3,795,823
2017			\$ 4,143,442								\$ 4,143,442
2018				\$ 6,552,687							\$ 6,552,687
2019					\$ 7,228,018						\$ 7,228,018
2020						\$ 6,773,351					\$ 6,773,351
2021							\$ 7,437,699				\$ 7,437,699
2022								\$ 6,954,784			\$ 6,954,784
2023									\$ 7,653,687		\$ 7,653,687
2024										\$ 7,164,992	\$ 7,164,992
2025										\$ 7,898,474	\$ 7,898,474
2026										\$ 6,371,189	\$ 7,381,554
2027										\$ 7,052,539	\$ 8,104,727
2028										\$ 6,499,250	\$ 7,604,661
2029										\$ 7,188,057	\$ 8,340,367
2030										\$ 6,553,140	\$ 7,857,121
2031										\$ 7,326,236	\$ 8,582,991
2032										\$ 6,763,146	\$ 8,071,310
2033										\$ 7,467,130	\$ 8,832,805
2034										\$ 6,899,085	\$ 8,315,266
2035										\$ 7,610,792	\$ 9,090,026
2036										\$ 7,037,766	\$ 8,566,594
2037										\$ 7,767,278	\$ 9,354,875
2038										\$ 7,179,215	\$ 8,825,520
2039										\$ 7,906,643	\$ 9,627,681
2040										\$ 7,323,517	\$ 9,092,271
2041										\$ 8,058,944	\$ 9,908,379
2042										\$ 7,470,720	\$ 9,367,085
2043										\$ 8,214,241	\$ 10,197,511
2044										\$ 7,620,882	\$ 9,650,205
		\$ 3,795,823	\$ 4,143,442	\$ 6,552,687	\$ 7,228,018	\$ 6,773,351	\$ 7,437,699	\$ 6,954,784	\$ 7,653,687	\$ 7,164,992	\$ 146,298,235
											\$ 232,396,315

The projections and estimates contained in this Schedule are subject to and may be impacted by market & economic conditions both domestic & international. Actual completion & construction of the project may take more or less time than described herein. However it is understood that the Developer will use its best efforts to complete the project as quickly as economically feasible. In the event the Developer spends more for infrastructure in a year than required, the amount spent in excess of the required amount shall be credited forward to the next year and applied as if the funds were spent in that year for the purpose of determining

Exhibit 9
Allocated Land Uses and Values Table

Tres Lagos Allocated Land Uses and Values			ALL TAXABLE VALUES ONLY						
Designation	Description	Category	Square Feet	Acreage	AC by Cat.	Avg Unit Value	Type Unit	Value Per Acre	Total Value
SFBA	Single Family 2.5 du/acre	Single Family		239		\$390,000.00	House	\$975,000.00	\$233,025,000.00
SF-B	Single Family 3.5 du/acre	Single Family		513		\$290,000.00	House	\$1,015,000.00	\$520,695,000.00
SFBC	Single Family 4.5 du/acre	Single Family		697	1344	\$190,000.00	House	\$665,000.00	\$463,505,000.00
NRE	School Site	Commercial/Other	3,475,137	80		\$0.00	Acre	\$0.00	\$0.00
NREG	Church, Mosque, Synagogue	Commercial/Other	3,920,400	90		\$0.00	Acre	\$0.00	\$0.00
NRED	Technology Park/Campus	Commercial/Other	4,573,800	105	379.8	\$150.00	Usable S.F.	\$1,633,500.00	\$171,517,500.00
MFBB	Multifamily 10 du/acre	Multifamily	2,090,880	48		\$100,000.00	Unit	\$1,000,000.00	\$48,000,000.00
MFBC	Multifamily 15 du/acre	Multifamily	3,049,200	70		\$79,000.00	Unit	\$1,185,000.00	\$82,950,000.00
MFBA	Townhomes 8 du/acre	Multifamily	3,267,000	75	193	\$150,000.00	Unit	\$1,200,000.00	\$90,000,000.00
NREB	Retail & Commercial	Retail	8,381,885	192	192.4	\$125.00	Usable S.F.	\$1,361,250.00	\$261,904,500.00
Roadway	Perimeter ROW	Public Use/ROW	1,206,538	28			Acre	\$0.00	\$0.00
Roadway	Interior ROW	Public Use/ROW	5,424,061	125	152.2		Acre	\$0.00	\$0.00
OSBC	Drainage way & Park	Public Use/Amenities	246,660	6			Acre	\$0.00	\$0.00
OSBD	Parks in Street Islands	Public Use/Amenities	479,889	11			Acre	\$0.00	\$0.00
OSBB	Park with Main Trail	Public Use/Amenities	4,770,220	110	126.2		Acre	\$0.00	\$0.00
Sales Center	Sales Center	Office	174,240	4		\$250,000.00	Acre	\$250,000.00	\$1,000,000.00
NREB	Office Use	Office	4,212,252	97	100.7	\$200.00	Usable S.F.	\$2,178,000.00	\$219,324,600.00
OSBA	Major Drainage way	Public Use/Flood Plain	3,073,394	71	70.6	\$0.00	Acre	\$0.00	\$0.00
Totals			111,463,996	2,559	2558.9				\$2,091,921,600.00

Exhibit B

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

ORDINANCE NO. 2014-75

DESIGNATING THE TRES LAGOS DEVELOPMENT PROJECT BEING A +/- 2571 ACRE AREA LOCATED IN THE NORTHERN MOST AREA OF THE CITY AS A TAX INCREMENT REINVESTMENT ZONE; DESCRIBING THE BOUNDARIES OF THE ZONE; CREATING A BOARD OF DIRECTORS FOR THE ZONE; PROVIDING FOR AN EFFECTIVE DATE AND A TERMINATION DATE FOR THE ZONE; NAMING THE ZONE "REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS"; ESTABLISHING A TAX INCREMENT FUND; AND CONTAINING OTHER PROVISIONS RELATED THERETO.

WHEREAS, the Board of Commissioners (the "Commission") of the City of McAllen, Texas (the "City") desires to support revitalization, economic development and job creation activities for the community through the construction of the TRES LAGOS Development Project (the "Project"), to be funded in whole or in part through the creation of a Tax Increment Reinvestment Zone (a "Reinvestment Zone"), as hereinafter more specifically defined and named, and with boundaries as hereinafter provided, pursuant to the provisions of the Tax Increment Financing Act (the "Act"), *Texas Tax Code, Chapter 311*; and

WHEREAS, the City received a petition for Reinvestment Zone designation by owners representing over 50% of the appraised value of the land in the proposed Reinvestment Zone; and the City agrees to create the Zone (as defined below) as petitioned; and

WHEREAS, the proposed public improvements for the Zone are those set forth in the preliminary project plan for the Zone; and

WHEREAS, pursuant to the Act, the City may designate a contiguous geographic area within the jurisdiction of the City to be a Reinvestment Zone if the area satisfies certain sections of the Act; and

WHEREAS, on October 27, 2014, the Commission adopted Resolution No. 2014-51, expressing its intent to create the proposed Zone in order to encourage the growth and development of new housing opportunities within the City limits; and

WHEREAS, on November 18, 2014, the Commissioners Court of Hidalgo County (the "County") passed and approved a Resolution of Intent to Participate to Participate in Proposed Reinvestment Zone Number One, City of McAllen, Texas, by pledging 77% of its maintenance and operation portion of the County's assessed and collected taxes during the term of the Zone; and

WHEREAS, pursuant to §311.003(b) of the Act, the City has distributed a copy of the preliminary finance plan for the Zone to the governing body of each taxing unit that levies taxes on real property in the proposed Zone; and

WHEREAS, it is hereby officially found and determined that the meeting at which this Ordinance was passed was open to the public, and public notice of the time, place and purpose of said meeting was given, all as required by Chapter 551, Texas Government Code; **NOW THEREFORE**:

BE IT ORDAINED BY THE CITY COMMISSION OF THE CITY OF MCALLEN:

SECTION 1. FINDINGS. The City hereby finds and declares that: (a) improvements in the Zone will significantly enhance the value of all the taxable real property in the Zone and will be of general benefit to the City; and (b) the Zone area meets the requirements of Section 311.005(a)(4) of the Act, being that the Zone area:

(1) is an area described in a petition requesting that the area be designated as a reinvestment zone, if the petition is submitted to the governing body of the municipality by the owners of property constituting at least 50 percent of the appraised value of the property in the area according to the most recent certified appraisal roll for the county in which the area is located.

The City, pursuant to the Act, further finds and declares that:

- (1) the proposed Zone is a contiguous geographical area located wholly within the jurisdictional limits of the City of McAllen;
- (2) the total appraised value of the taxable real property in the proposed Zone or in existing reinvestment zones, if any, does not exceed fifteen (15%) of the total appraised value of taxable real property in the City;
- (3) the proposed Zone does not contain more than fifteen (15%) of the appraised value of real property taxable by Hidalgo County; and
- (4) development or redevelopment within the boundaries of the proposed Zone will not occur solely through private investment in the reasonably foreseeable future without creation of the Zone.

SECTION 2. DESIGNATING THE AREA AS A REINVESTMENT ZONE. The area located in the northwestern most part of the City's jurisdictional limits and being commonly referred to as the "Tres Lagos Development Project", with the boundaries as more specifically described in Exhibits A and B attached hereto, and officially assigned the name as designated in Section 6 below (which reinvestment Zone so described, named and designated is hereinafter referred to as the "Zone"), is hereby designated as a Tax Increment Reinvestment Zone pursuant to the Act, specifically Chapter 311.005(a)(4) thereof.

SECTION 3. DESCRIPTION OF THE BOUNDARIES OF THE REINVESTMENT ZONE. Attached hereto as Exhibits "A" & "B" which are incorporated herein as if a part hereof, is a field notes description and a map depicting the

boundaries of the Zone, which consists of approximately 2571+/- acres of real property within the jurisdictional limits of the City.

SECTION 4. CREATION AND COMPOSITION OF A BOARD OF DIRECTORS FOR THE ZONE AND AUTHORITY OF BOARD.

There is hereby created a Board of Directors (the "Board") for the Zone, with all the rights, powers and duties as provided by the Act. Pursuant to §311.009(b) and §311.009(e)(2) the Board shall consist of nine (9) members and have the following composition:

- a) Six (6) members appointed by the City of McAllen, Texas by Ordinance of the City Commission and meeting the requirements of §311.009(e)(2) of the Texas Tax Code, which said members for the purpose of establishing the initial Board shall be:
 1. Mike Rhodes (hereby designated as Presiding Officer)
 2. Megan Clay
 3. Jaime Gonzalez
 4. Lori Rhodes
 5. Nick Rhodes
 6. James Darling; and
- b) One member appointed by Hidalgo County, Texas provided if the County waives the appointment of a board member the position shall be filled by an appointment made by the Commission; and
- c) The member of the State Senate, or their designee, pursuant to §311.009(b); and
- d) The member of the State House of Representatives, or their designee, pursuant to §311.009(b).

The term of each initial director shall be determined by lot and then recorded in the minutes of the organizational meeting of the Board. Four (4) of the initial directors shall serve an initial term of three (3) years, and three (3) shall serve an initial term of two (2) years. The term of each subsequent director shall be two (2) years. Vacancies shall be filled for the remainder of the unexpired term, by appointment made by the governing body that appointed the director who served in the vacated position.

The Commission shall annually appoint a member of the Board to serve as chairman of the Board for a one year term beginning January 1st and ending December 31st. The Board may elect a vice-chairman to serve in the absence of the chairman, and other officers as it deems appropriate.

The Board may hold its meetings at any place within the City as the Board may from time to time determine; provided that, in the absence of any such determination by the Board, the meetings shall be held at the City Commission Chambers of the City. The Board shall conduct its meetings in accordance with the requirements of the Act and the Texas Open Meetings Act, *Chapt. 551, Tex. Gov't. Code*, as amended. Regular meetings of the Board shall be held at such times and places as shall be designated, from time to time, by resolution of the Board. Notice of regular meetings need not be given to each of the Directors but public notice of each meeting shall be given in the manner prescribed by law. Special meetings of the Board shall be held whenever called by the chairman, the

vice-chairman in the absence of the chairman, or upon advice of or request by the Mayor. A majority of the directors fixed by this Ordinance shall constitute a quorum for Board meetings. The act of a majority of the directors present at a meeting at which a quorum is in attendance shall constitute the act of the Board, unless the act of a greater number is required by law.

The Board shall make recommendations to the Commission concerning the administration of the Zone. The Board shall prepare and adopt a project plan and financing plan for the Zone and must submit such plans to the Commission for its final approval. The Board shall possess all powers necessary to prepare, monitor, and administer such project plan and financing plan for the Zone as set forth in the project plan, financing plan and Development Agreement (as defined below) (hereafter collectively the "Governing Documents"). The Board shall have the power to enter into agreements for the acquisition of professional services relating to accounting and auditing functions required for administration the Zone. The Board shall have the power to review reimbursement requests submitted by the Developer and the City and shall approve payment of said reimbursements provided all of the prerequisites for approving the reimbursement as set forth in the Governing Documents have been complied with. All actions of the Board in administering the Zone must be carried out pursuant to the policies and procedures established by the Board, and must be in compliance with the Governing Documents and the Act. The Board shall submit an annual report on the status of the Zone to the Commission no later than 30 days prior to the end of the City's fiscal year. The Board may not undertake any of the projects set forth in the project plan or financing plan for the Zone in place of the Developer or the City without subsequent written authorization of the Commission to do so. Any powers not herein specifically delegated to the Board are specifically reserved to the Commission and the Board shall not have any rights of the City with respect to the Zone unless specifically delegated herein or by the Commission pursuant to a subsequent ordinance. Without limiting the foregoing, the Board shall NOT have any of the City's powers under *Chapter 211 of the Texas Local Government Code* nor shall the Board have any other powers which City is entitled to delegate to the Board under Sections 311.010 (b) (provided the Board may enter into the Development Agreement and contracts for professional accounting and auditing services), (c), (d), (f), or (h) of the Act.

SECTION 5. EFFECTIVE DATE AND TERMINATION DATE OF THE ZONE.

The Zone shall take effect immediately upon passage of this ordinance (the "Effective Date"). The term of the Zone shall be for a period of 30 years, beginning on the later of the Effective Date or the date of approval of the Development Agreement (so called herein) between the City, the Zone and Rhodes Enterprises, Inc. ("Developer") (the "Term"), unless otherwise terminated earlier as a result of (i) payment in full of all project costs, tax increment bonds or notes, if any, including interest on said bonds or notes, (ii) the Zone being deannexed from the City pursuant to the terms of the Ordinance annexing the property within the Zone or the terms of the Chapter 212 Agreement entered into between the City, M.L. Rhodes Ltd., and Rhodes Enterprises, Inc., it being acknowledged that the Zone shall automatically terminate upon the property within the Zone being deannexed from the City, (iii) any termination of the Development

Agreement as a result of the default of the Developer thereunder according to the terms of the Development Agreement, it being acknowledged that any such termination of the Development Agreement will result in the termination of the Zone, or (iv) as otherwise permitted by law.

SECTION 6. ASSIGNING A NAME TO THE ZONE. The Zone created hereby is assigned the name of "REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS."

SECTION 7. TAX INCREMENT BASE. The Tax Increment Base for the Zone is the total appraised value of all real property within the zone and taxable by the City and located in Zone, determined as of January 1, 2014, the year in which the Zone was designated as a Tax Increment Reinvestment Zone (the "Tax Increment Base").

SECTION 8. LIMITATION OF TAX INCREMENT AND ESTABLISHMENT OF A TAX INCREMENT FUND. There is hereby created and established in the depository bank of the City, a fund to be called the "REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS TAX INCREMENT FUND" (herein called the "Tax Increment Fund").

The Tax Increment Fund may be divided into additional accounts and sub-accounts authorized by resolution or Ordinance of the Commission.

The Tax Increment Fund shall consist of, and there shall be deposited therein, (i) the percentage of the tax increment, as defined by Section 311.012(a) of the *Texas Tax Code*, that each taxing unit which levies real property taxes in the Zone, other than the City, has elected to dedicate to the Tax Increment Fund under an agreement with the City authorized by Section 311.013(f) of the Act, plus (ii) an amount calculated as a millage rate per hundred dollars of Captured Appraised Value (as defined below) of real property in the Zone that equals eighty percent (80%) of the "City's M&O Tax Rate" as same is actually levied, collected and allocated to the City's general fund. As used herein, "City's M&O Tax Rate" means that portion of the City's ad valorem tax rate used by the City for maintenance, support, current expenses and operations, and general municipal purposes and excluding the portion of the City's property tax rate that is collected and apportioned for payment of outstanding general obligation bonded indebtedness commonly referred to as the "interest and sinking fund rate". As used above, the phrase "Captured Appraised Value" means the captured appraised value of the property in the Zone as defined by Section 311.012(b), Texas Tax Code (i.e., the total appraised value of all real property taxable by the City and located in the Zone in any given year less the total appraised value of that property in 2014, the base year of the Zone. The amount of the tax increment to be contributed by the City to the Zone shall be deemed limited as set forth above for purposes of Section 311.013(l) of the Act.

Any interest received on monies held within the Tax Increment Fund as a result of depository interest or investment of said funds shall be added to the balance of the Tax

Increment Fund and such interest shall be credited towards the maximum amount to be contributed by the City and the County to the Tax Increment Fund.

The Tax Increment Fund shall be maintained in an account at a depository bank of the City and shall be secured in the manner prescribed by law for Texas cities. In addition, all revenues from (i) the sale of any obligations hereafter issued by the City and secured in whole or in part from the tax increments; (ii) revenues from the sale of any property acquired as part of a tax increment financing plan adopted by the Board; and (iii) other revenues dedicated to and used in the Zone shall be deposited into the Tax Increment Fund. Prior to the termination of the Zone, money shall be disbursed from the Tax Increment Fund only to pay project costs, as defined by the Texas Tax Code and pursuant to the terms of the Development Agreement, for the Zone, or to satisfy the claims of holders of tax increments bonds or notes issued for the Zone.

Any expenditure to be made from the Tax Increment Fund or any contract related thereto, must be approved by the Commission prior to such expenditure being made or contract being executed. Approval of the project plan and financing plan shall constitute approval by the Commission for the payments for the various Zone projects identified therein in accordance with such plans, provided such payment is approved by the Board according to the policies and procedures set forth in the project plan, financing plan and Development Agreement.

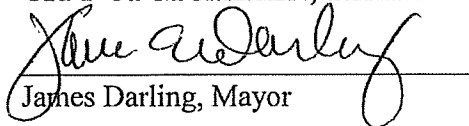
SECTION 9. INCORPORATION OF RECITALS. The Commission hereby finds that the statements set forth in the recitals of this Ordinance are true and correct, and the Commission hereby incorporates such recitals as a part of this Ordinance.

SECTION 10. SEVERABILITY. If any provision of this Ordinance or the application thereof to any circumstances shall be held to be invalid, the remainder of this Ordinance and the application thereof to other circumstances shall nevertheless be valid, as if such invalid provision had never appeared herein, and this governing body hereby declares that this Ordinance would have been enacted without such invalid provision.

SECTION 11. EFFECTIVE DATE. The Zone shall take effect immediately upon passage of this ordinance, pursuant to §311.004(a)(3) of the Act.

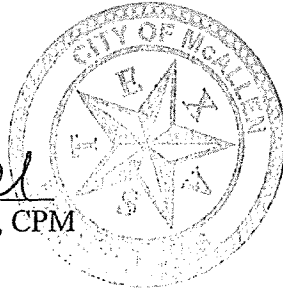
PASSED AND APPROVED AT MCALLEN, TEXAS, THIS 22nd DAY OF DECEMBER 2014.

CITY OF MCALLEN, TEXAS


James Darling, Mayor

ATTEST:

Annette Villarreal
Annette Villarreal, TRMC/CMC, CPM
City Secretary



APPROVED AS TO FORM:

[Signature]
Kevin D. Pagan City Attorney

Exhibit A

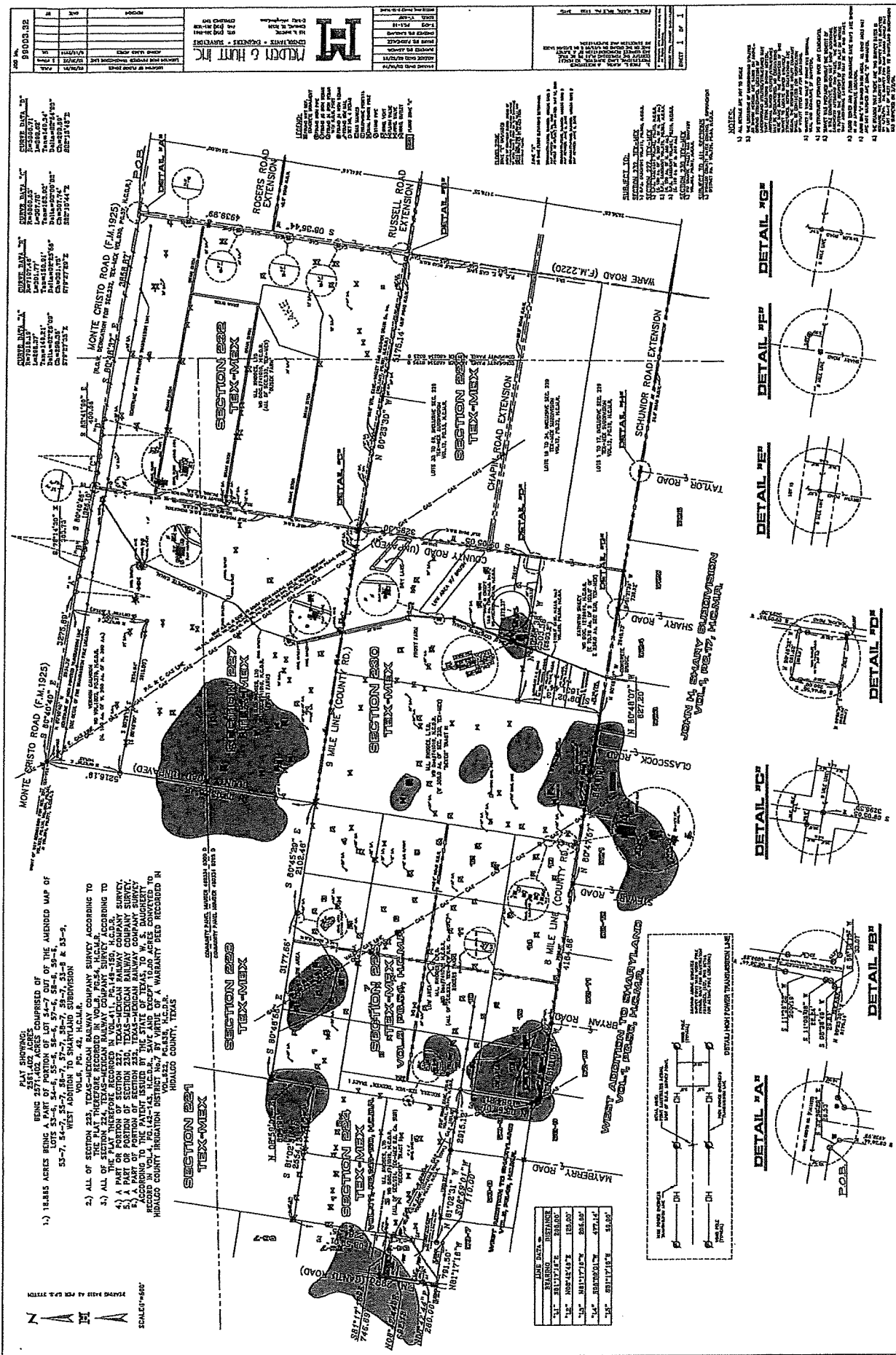


Exhibit B: Metes and Bounds Description

Tract 1: A tract of land containing 2561.402 acres situated in the County of Hidalgo, Texas, being 2571.402 acres comprised of 1.) 18.865 acres being a part or portion of LOT 54-7, OUT OF THE AMENDED MAP OF LOTS 53-6, 54-6, 55-6, 56-6, 57-6, 58-6, 59-6, 53-7, 54-7, 55-7, 56-7, 57-7, 58-7, 59-7, 53-8 & 53-9, WEST ADDITION TO SHARYLAND SUBDIVISION, according to the plat thereof recorded in Volume 6, Page 42, Hidalgo County Map Records, 2.) ALL OF SECTION 223, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 8, Page 54, Hidalgo County Map Records; 3.) ALL OF SECTION 224, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 411, Page 149-150, Hidalgo County Deed Records; 4.) a part or portion of SECTION 227, TEXAS-MEXICAN RAILWAY CO. SURVEY; 5.) a part or portion of SECTION 230, TEXAS-MEXICAN RAILWAY CO. SURVEY; 6.) a part or portion of SECTION 232, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the patent issued by the State of Texas, to W. S. Daugherty recorded in Volume 4, Page 142-143, Hidalgo County Deed Records, SAVE AND EXCEPT 10.00 acres conveyed to Hidalgo County Irrigation District No. 7 by virtue of a Warranty Deed recorded in Volume 622, Page 638, Hidalgo County Deed Records, said 2571.402 acres also being more particularly described as follows:

BEGINNING at the Northeast corner of Section 232 Texas –Mexican Railway Co. Survey located on the city limits of the City of McAllen for the Northeast corner of this tract;

1. THENCE, in a Southwesterly direction along the East Lot line of Lot 232 and the city limits of the City of McAllen to the Southeast corner of said lot for the Northernmost Southeast corner of this tract;

2. THENCE, N 80° 23' 30" W along the South line of said Section 232, the North line of Lots 35-68, Section 229, Tex-Mex as per plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, and within Mile 9 Road right-of-way, a distance of 5175.14 feet to an iron pipe found for the Southwest corner of said Section 232, and the Northeast corner of Section 230 for an inside corner of this tract;

3. THENCE, S 09° 05' 05" W along the East line of said Section 230, and the West line of Section 229, as per said plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, at a distance of 2519.05 feet pass an iron pipe found in line, and now continuing along the West line of Section 229, Tex-Mex, as per plat thereof recorded in Volume 12, Page 22, Hidalgo County Map Records, and continuing a total distance of 3295.30 to an outside corner of this tract;

4. THENCE, N 80° 48' 32" W a distance of 251.52 feet (250.00 feet) to an iron rod set for an inside corner of this tract;

5. THENCE, S 08° 44' 55" W, at a distance of 20.00 pass an iron pipe found in line, and continuing a total distance of 250.00 feet to an iron pipe found for an outside corner of this tract;

6. THENCE, N 80° 55' 38" W a distance of 2503.36 feet (2503.2 feet) to an iron pipe found for an inside corner of this tract;

7. THENCE, S 09° 02' 13" W at a distance of 1611.44 feet pass the North right-of-way line of Mile 8 Road, and continuing a total distance of 1631.44 feet to the Southernmost Southeast corner of this tract;

8. THENCE, N 80° 48' 07" W along the South line of said Section 230, and within said Mile 8 Road right-of-way, a distance of 627.20 feet to an iron rod found for the centerline of Glasscock Road, and for an angle point of this tract;

9. THENCE, N 80° 47' 57" W along the South line of said Section 230, said Section 223, and within said Mile 8 Road right-of-way, a distance of 2644.96 feet to a concrete monument found for the centerline of Stewart Road, and for an angle point of this tract;

10. THENCE, N 81° 10' 51" W along the South line of said Section 223, and within said Mile 8 Road right-of-way, at a distance of 2658.21 feet pass an iron rod found in line and for the center line of Bryan Road, and continuing a total distance of 4164.66 feet to the Southwest corner of said Section 223, and for the Southernmost Southwest corner of this tract;

11. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 1554.21 feet to an iron rod set for an inside corner of this tract;

12. THENCE, N 81° 02' 31" W along the South line of said Section 223, and said Section 224, at a distance of 1161.82 feet pass an iron rod found in line, at a distance of 2462.04 feet pass an iron rod found in line, and continuing a total distance of 2915.12 feet to an iron pipe found for the Southwest corner of said Section 224 and to a point on the East line of said Lot 54-7, for an inside corner of this tract;

13. THENCE, S 08° 59' 01" W along the East line of said Lot 54-7, a distance of 110.00 feet to the Southeast corner of said Lot 54-7, for an outside corner of this tract;

14. THENCE, N 81° 17' 16" W along the South line of said Lot 54-7, at a distance of 761.50 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 791.50 feet to the Southwest corner of said Lot 54-7, for the Northernmost Southwest corner of this tract;

15. THENCE, N 08° 42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 280.00 feet to an outside corner of this tract;

16. THENCE, S 81° 17' 16" E at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing along the South line of The Frass Subdivision (Vol.25, Pg.134-A H.C.M.R.), for a total distance of 205.00 feet to a No.4 rebar set at the Southeast corner of said The Frass Subdivision, for an inside corner of this tract;

17. THENCE, N 08° 42' 46" E along the East line of said The Frass Subdivision, a distance of 125.00 feet to a No.4 rebar set at the Northeast corner of said The Frass Subdivision, for an inside corner of this tract;

18. THENCE, N 81° 17'16" W along the North line of said The Frass Subdivision, at a distance of 175.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 205.00 feet to an outside corner of this tract;

19. THENCE, N 08° 42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 692.13 feet to the Southernmost Northwest corner of this tract;

20. THENCE, S 81° 17' 16" E along the South line of a certain 3.82-acre tract, at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 746.69 feet to a No.4 rebar set for an outside corner of this tract;

21. THENCE, S 08° 59' 01" W along the West line of a tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7 (now United Irrigation District) by virtue of a Deed recorded in Vol.519, Pg.65, Hidalgo County Deed Records, a distance of 477.14 feet to a No.4 rebar set for an inside corner of this tract;

22. THENCE, S 81° 17' 16" E along the South line of said tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7, a distance of 50.00 feet to a No.4 rebar set for an inside corner of this tract;

23. THENCE, N 08° 59' 01" E along the West line of said Section 224, a distance of 2284.35 feet to an iron pipe found for the Northwest corner of said Section 224, and for an outside corner of this tract;

24. THENCE, S 81° 02' 31" E along the North line of said Section 224, a distance of 2554.12 feet to an iron rod set for the Northeast corner of said Section 224, and for an inside corner of this tract;

25. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 854.95 feet to an iron pipe found for the Northwest corner of said Section 223, and for an outside corner of this tract;

26. THENCE, S 80° 46' 58" E along the North line of said Section 223, a distance of 3177.65 feet to an iron pipe found for an angle point of this tract;

27. THENCE, S 80° 45' 29" E along the North line of said Section 223, a distance of 2102.46 feet to an iron pipe found for the Northeast corner of said Section 223, and for an inside corner of this tract;

28. THENCE, N 09° 03' 26" E along the West line of said Section 227, at a distance of 3795.04 feet pass an iron pipe found in line, and continuing a distance of 5216.19 feet to an iron pipe found for the South right-of-way line of Monte Cristo Road (F.M. 1925) and a distance of 5,256.19 feet to the Northwest corner of Section 227 and the Northernmost Northwest corner of this tract;

29. THENCE, in a Southeasterly direction along the North lot line of Section 227 and 232 to the Northeast corner of Section 232 to the POINT OF BEGINNING, and containing 2571.402 acres, SAVE AND EXCEPT the above mentioned 10.00 acres conveyed to Hidalgo County Irrigation District No. 7, leaving 2,561.402 acres of land, more or less, as shown in Exhibit A.

Exhibit C
Development Agreement, as amended

**DEVELOPMENT AGREEMENT BETWEEN THE CITY OF MCALLEN, TEXAS
AND RHODES ENTERPRISES, INC. AND REINVESTMENT ZONE
NUMBER ONE, CITY OF MCALLEN, TEXAS**

This Development Agreement ("Agreement"), pursuant to City Commission authorization, effective as of March 9th, 2015, is entered into by and between the **CITY OF MCALLEN, TEXAS** (hereinafter called "**CITY**"); **Rhodes Enterprises, Inc.**, a Texas corporation, or assigns (hereinafter referred to as "**DEVELOPER**"); and **REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS**, a tax increment reinvestment zone created pursuant to Texas Tax Code Chapter 311 (hereinafter called "**ZONE**"), by and through its duly authorized Board of Directors ("**Board of Directors for the ZONE**") (hereinafter collectively the "**Parties**" or in the singular a "**Party**");

WITNESSETH:

WHEREAS, **CITY** recognizes the importance of its continued role in economic development; and

WHEREAS, **M.L. RHODES, LTD.**, a Texas limited partnership ("**Owner**") is the owner of certain real property consisting of approximately 2,571 acres, more or less, in Hidalgo County, Texas (the "**County**"), as more particularly described on **Exhibit A** (the "**Property**"). The Property is currently located within the **CITY**'s extraterritorial jurisdiction, but will be annexed into the corporate limits (which annexation shall not affect the rights and obligations of the Parties under this Agreement);

WHEREAS, By Ordinance Number 2014-75, dated December 22, 2014 pursuant to Chapter 311 of the Texas Tax Code (as amended), **CITY** created the **ZONE** and established a **Board of Directors for the ZONE**.

WHEREAS, the **ZONE** was created to promote development and redevelopment in the **ZONE** through the use of tax increment financing, which type of development and redevelopment would not otherwise occur solely through private investment in the reasonably foreseeable future; and

WHEREAS, the boundaries of the Zone are coterminous with the boundaries of the Property;

WHEREAS, pursuant to the Act, the **CITY** and the County entered into that certain *Interlocal Agreement*, a copy of which is attached as **Exhibit "C"** (the "**Interlocal Agreement**"), which, among other things, obligates the County to pay to the **CITY** a portion of the County's tax increment for the Property and obligates the **CITY** to deposit such portion of the County's tax increment in the Tax Increment Fund;

WHEREAS, Chapter 311 authorizes the expenditure of funds derived from a Tax Increment Reinvestment Zone for the payment of expenditures made or estimated to be made, and the payment of monetary obligations incurred or estimated to be incurred, by a City in establishing a Tax Increment Reinvestment Zone, the payment of costs of public works or public improvements in the zone, plus other costs incidental to those expenditures and obligations, consistent with the

project plan and finance plan of the tax increment reinvestment zone, and the pledging and use of the Tax Increment Funds for uses that benefit the Zone under Section 311.010 of the Texas Tax Code, which expenditures, pledges, and monetary obligations constitute project costs, as defined in the Act; and

WHEREAS, on March 3rd, 2015 by a Board Resolution, the **Board of Directors for the ZONE** adopted and approved a Project Plan and a Reinvestment Zone Finance Plan pursuant to the Act ("Project and Finance Plan") providing for development of the Property and recommending to the CITY that they give approval by Ordinance of the Project and Finance Plan; and

WHEREAS, CITY approved the Project and Finance Plan for the **ZONE** a copy of which is attached as **Exhibit "B"** and this Agreement by action of the City Commission on March 9, 2015; and

WHEREAS, Pursuant to the Texas Tax Code, Chapter 311 (as amended) including but not limited to Section 311.010, et. sec., the Board of Directors for the **ZONE** has authority to enter into agreements that it considers necessary or convenient to implement the Project and Finance Plan and to achieve the purposes of developing the Zone Property and to dedicate, pledge, or otherwise provide for the use of the revenue from the TIRZ to pay project costs that benefit the Zone; and

WHEREAS, pursuant to said authority above, the Board of Directors for **ZONE** desires to enter into a binding agreement with **CITY** and **DEVELOPER** for **DEVELOPER** to develop the Zone Property as specified in the Project and Finance Plan and to pledge certain revenues of the Zone for reimbursement to the Developer of such costs to facilitate the funding of such improvements and as specified in this Agreement; and

WHEREAS, the Parties intend for the rights, duties, and obligations of the Parties under the Zone Ordinance, Interlocal Agreement, and the Project and Finance Plan to be incorporated as part of this Agreement;

NOW, THEREFORE, in consideration of the mutual promises, covenants, obligations, and benefits contained in this Agreement, **CITY**, the Board of Directors for **ZONE**, and **DEVELOPER** hereby agree as follows:

I. DEFINITIONS

1.1 "Act" shall mean the Tax Increment Financing Act, Chapter 311, Texas Tax Code, Vernon's Texas Codes, as amended.

1.2 "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 \$300,000.00 to the CITY and \$100,000.00 to the COUNTY.

1.3 “Agreement” shall mean this document by and between CITY, ZONE and DEVELOPER, which agreement may be amended from time to time by written agreement signed by all Parties, pursuant to the provisions contained herein.

1.4 “Available Tax Increment” shall mean 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 80% 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) an amount (provided by the County pursuant to the Interlocal Agreement) calculated as a millage rate per \$100 of Captured Appraised Value of real property in the Zone that equals 77% 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”). together with any rollback taxes collected from within the Zone over the term of the Zone.

1.5 “Certificate of Completion” shall mean a written acknowledgement by DEVELOPER that public improvements were constructed as specified in the Project and Finance Plan and in this Agreement and that said improvements comply with all applicable CITY codes and published standards for the particular type of improvement in question.

1.6 “CITY”, “Board of Directors for the ZONE”, and “DEVELOPER” shall have the meanings specified above.

1.7 “CITY M&O Tax Rate” shall mean 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.

1.8 “City Project Costs” shall mean the Project Costs for the City Public Improvements.

1.9 “City Public Improvements” shall mean the offsite sewer, recycled water, fiber optic infrastructure and fire station and apparatus to be built by CITY to bring such services to the Property as further defined in the Project and Finance Plan.

1.10 “Completion” or “completed” as to any Public Improvements shall mean completion of construction of same and the acceptance thereof by CITY as evidenced by the CITY issuing a Letter of Acceptance for same.

1.11 “Construction Schedule” shall mean the timetable for constructing the improvements specified in the Project and Finance Plan and this Agreement as may be amended due to economic conditions, weather, or other factors, more particularly set forth in **“Exhibit D”**.

- 1.12 "County" shall mean Hidalgo County, a political subdivision in the State of Texas.
- 1.13 "Fiscal Year of Zone" shall be congruent with the fiscal year of the **CITY**, with the exception of the initial year and the ending year which shall be partial Fiscal Years.
- 1.14 "Goods and Services" shall mean the services and goods (infrastructure, etc.) that are performed and/or installed by the Developer pursuant to this Agreement. The Goods and Services provided hereunder are "goods and services" described in the meaning prescribed in Section of 271.151 of the Texas Local Government Code, and this Agreement shall be subject to Chapter 271 of said Code for the purpose of interpretation and enforcement between the Parties.
- 1.15 "Participating Taxing Entity" or "Participating Taxing Entities" means, singularly, a taxing unit participating in the **ZONE**, and collectively, two or more taxing units participating in the **ZONE**, and may include **CITY** and County.
- 1.16 "Parties" shall mean collectively, the **DEVELOPER**, Board of Directors for **ZONE** and **CITY**.
- 1.17 "Phase" shall mean a portion of the Project that is being constructed by **DEVELOPER** normally being a set number of units and/or acres out of the Zone Property being constructed together during a specific timeline.
- 1.18 "PID" shall mean the Public Improvement District for the Project created by the **CITY** on the _____ day of _____, 2015 establishing the "Tres Lagos Public Improvement District" acting by and through its Board of Directors created pursuant to the Texas Local Government Code Chapter 372, Subchapter A.
- 1.19 "Pre-TIRZ Administrative Costs" shall have the meaning given in the Project and Finance Plan.
- 1.20 "Project" shall have the meaning given in the Project and Finance Plan.
- 1.21 "Project and Finance Plan" shall mean the final Project Plan and Financing Plan for the **ZONE** approved by the Board of Directors of the **ZONE** and approved by City Commission of **CITY** and attached hereto as **Exhibit "B"**.
- 1.22 "Project Costs" shall mean the costs of the Public Infrastructure Improvements as described in the Project and Finance Plan. The Project Costs in the aggregate for the life of **ZONE** are estimated to be Two Hundred and Thirty-Two Million Three Hundred and Ninety-Six Thousand Three Hundred and Fifteen dollars and No/100 (\$232,396,315.00), plus an estimated Twenty Six Million One Hundred and Forty-Five Thousand Five Hundred and Eighty-Five dollars and No/100 (\$26,144,585.00) in applicable qualifying interest costs for a total of Two Hundred and Fifty-Eight Million Five Hundred and Forty Thousand Nine Hundred and One Dollars and No/100 (\$258,540,901.00) as more completely set forth in **Exhibit "B"**.
- 1.23 "Public Entity" shall mean the governmental entity to which the **DEVELOPER** is required

to dedicate and convey Public Infrastructure Improvements under this Agreement, and which will be responsible for maintenance of the infrastructure after dedication. In most cases the Public Entity will be CITY, but in other cases such as with major drainage improvements or technology improvements (fiber optic conduits, surveillance cameras, smart poles, etc.) it will be the County, PID, etc.

1.24 "Public Infrastructure Improvements" shall mean those certain public improvements to be constructed as part of the Project and described in the 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.

1.25 "Project Master Development Plan" or "Project MDP" shall mean the master development plan attached as Exhibit "A" as may be amended by the Board of Directors for the ZONE from time to time.

1.26 "TIF" shall mean tax increment financing pursuant to the Act.

1.27 "TIF Funds" shall mean all funds which are subject to this Agreement, including the Available Tax Increments collected by the CITY and any other participating taxing authority.

1.28 "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.

1.29 "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.

1.30 "Tax Increment Bonds" shall mean bonds, notes, or other obligations issued pursuant to Chapter 311 of the Texas Tax Code for the financing of Project Costs.

1.31 "Tax Increment Fund" means the tax increment fund created by CITY for the deposit of Available Tax Increments for 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.

1.32 "Term" shall mean a period of 30 years, beginning on the later of the creation of the ZONE or the approval of this Agreement, and ending on the 30th anniversary of said date.

1.33 "ZONE" means Tax Increment Reinvestment Zone Number One, City of McAllen, Texas, created by the CITY containing the Property identified in Exhibit "A" on December 22, 2014, by Ordinance No. 2014-75, and "ZONE" as used in the active tense, shall mean the ZONE acting by and through the Board of Directors for the ZONE.

1.34 "Zone Property" shall mean the Property.

1.35 Singular and Plural: Words used herein in the singular, where the context so permits, also includes the plural and vice versa, unless otherwise specified.

II. REPRESENTATIONS

2.1 **DEVELOPER** represents that it understands that any expense incurred by made by **DEVELOPER** in anticipation of reimbursement from Tax Increments shall not be, nor construed to be, financial obligations of **CITY** or of other taxing entities, but only of Zone, to the extent they are approved by the Zone for pledge and contribution or reimbursement by the **ZONE**. **DEVELOPER** shall bear all risks associated with reimbursement from incorrect estimates of tax increment, changes in tax rates or tax collections, changes in market or economic conditions impacting the Project, changes in interest rates or capital markets, changes in development code requirements for which the Project does not enjoy statutory or constitutional vested rights, unanticipated effects covered under legal doctrine of *force majeure*, and/or other unanticipated factors. This Section shall not prevent the extension of time for a Party to perform an obligation due to *force majeure* as described in Section 4.8 of this Agreement.

III. THE PROJECT

3.1 Incorporation by Reference. The rights, duties, and obligations of the Parties under the Zone Ordinance, Interlocal Agreement, and Project and Finance Plan are incorporated as rights, duties, and obligations of the Parties under this Agreement as if fully set forth in this Agreement.

3.2 Pre-TIRZ Administrative Costs. The **CITY** has paid or incurred the Pre-TIRZ Administrative Costs as described in the Project and Finance Plan. The **CITY** shall submit to the **ZONE** (with a copy to **DEVELOPER**) evidence (in reasonable detail) of the actual Pre-TIRZ Administrative Cost paid or incurred by the **CITY**. If the **ZONE** verifies that the **CITY** paid or incurred the Pre-TIRZ Administrative Costs, then the **CITY** shall be reimbursed for such verified, actual costs from the Tax Increment Fund as provided in Section 3.7.2, which in no event shall exceed \$70,000.00.

3.3 Administrative Costs. The **CITY** will pay or incur on an annual basis Administrative Costs for the administration of the Zone as described in the Project and Finance Plan, 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.

3.4 City Project Costs. Upon construction of the City Public Improvements, **CITY** will submit to the **ZONE** evidence in reasonable detail, of the actual City Project Costs paid or incurred by **CITY** in connection therewith. Upon doing so, the **CITY** shall be entitled to submit a request for reimbursement to the **ZONE** which meets the necessary requirements of this Agreement, and provided said requirements are met, the **CITY** shall be entitled to reimbursement for the City Project Costs from the Tax Increment Fund according to the priority of payment set forth in Section

3.7.2, up to but not exceeding the amount for each such sub-category of City Project Costs identified in the Project and Finance Plan (+/- \$4,050,000.00), subject to any allowable increases or decreases thereto as set forth in this Agreement.

3.5 Project Costs.

3.5.1 **DEVELOPER** will pay or incur Project Costs for Public Infrastructure Improvements (but not City Project Costs) constructed in phases as determined by **DEVELOPER** and in accordance with all applicable ordinances, regulations and procedures of the **CITY**, as amended. The Public Infrastructure Improvements are described in detail in the Project and Finance Plan. The Project Costs to be reimbursed from the Tax Increment Fund are described in the Project and Finance Plan, as well.

3.5.2 Following the completion of Public Infrastructure Improvements and the acceptance thereof by the **CITY** (as evidenced by a "Letter of Acceptance" or other document pursuant to the City's development regulations), **DEVELOPER** shall convey the improvements to the appropriate Public Entity by plat dedication or, in the case of off-site improvements, by separate instrument if necessary. **DEVELOPER**, at no cost to the respective Public Entity, shall provide, dedicate, and grant to the respective Public Entity all necessary easements and rights-of-way for the Public Infrastructure Improvements within the Property. Conveyance to the Public Entity shall include an assignment of all contractors' warranties, if any. Prior to the acceptance of such conveyances by the Public Entity, **DEVELOPER** shall provide the **CITY** with releases from all prime contractors, major subcontractors, and major suppliers who have provided labor and materials for the Public Improvements showing that they have been paid in full for such labor and materials.

3.5.3 Upon receipt of a Letter of Acceptance for any of the Public Infrastructure Improvements (other than the City Public Improvements), **DEVELOPER** shall submit to the **ZONE** (with a copy to the **CITY**) evidence (in reasonable detail) of the actual Project Costs of the Public Infrastructure Improvement in question paid or incurred by **DEVELOPER**. If the **ZONE** verifies through **ZONE** action that **DEVELOPER** paid or incurred the Project Costs, and certifies such fact to the **CITY**, then **DEVELOPER** shall be reimbursed for such actual Project Costs, plus interest, as allowed in the Project and Finance Plan and subject to the priority of payment set forth in Section 3.7.2 of this Agreement, from the Tax Increment Fund.

3.5.4 The above subsections, 3.5.1, 3.5.2 and 3.5.3, shall not apply to non-infrastructure Project Costs, Common Hard Costs or Administrative Expenses or Interest, as defined by the Finance and Project Plan (hereinafter "Soft Costs"). Request for reimbursement for qualifying Soft Costs shall be submitted to the **ZONE** with supporting documentation confirming the payment of the respective Soft Costs have been made and to whom they were made. Upon verification by the **ZONE** that such costs have been incurred and paid by the **DEVELOPER**, and certification of the same by the **CITY** to the **ZONE**, then **DEVELOPER** shall be reimbursed for such actual Soft Costs.

3.6 Reliance; Indemnification. The **ZONE** and the **CITY** shall be entitled to rely on the information provided by **DEVELOPER** in verifying costs and seeking reimbursement for such

costs from the Tax Increment Fund and are under no duty or obligation to independently verify the truth, accuracy, or completeness of such information. **DEVELOPER** release, hold harmless, and indemnify the **ZONE** and the **CITY** (and their respective elected and appointed members, officers, and employees) from any claims by third parties to the costs for which **DEVELOPER** seek reimbursement pursuant to this Agreement.

3.7 Tax Increment Fund.

3.7.1 The **CITY** shall deposit annually the Available Tax Increment in to the Tax Increment Fund each year as same is collected, on or before May 31st of each year for the term of the **ZONE**.

3.7.2 The **CITY** shall maintain the Tax Increment Fund as a segregated account which shall not be commingled with any other funds of the **CITY**. The Tax Increment Fund shall be invested in the same manner as other municipal funds, and all interest earned shall be part of the Tax Increment Fund. The **CITY** shall only make disbursements from the Tax Increment Fund for the purposes and in the priority set forth below. No payment from the Tax Increment Fund shall be made by the **CITY** unless the **ZONE** has approved the expense or request for payment by the **ZONE**'s action. Disbursements shall be made from the Tax Increment Fund no less frequently than annually on or before May 31st of each year, beginning immediately after the **ZONE** verifies the Project Costs to be reimbursed. Disbursements from the Tax Increment Fund shall be made only for the following purposes and only in the following order of priority unless otherwise approved by the **CITY** and **DEVELOPER**:

3.7.2.1 FIRST, to reimburse the **CITY** for Pre-TIRZ Administrative Costs approved by the **ZONE**;

3.7.2.2 SECOND, payment of Administrative Costs to the **CITY** and County pursuant to the Interlocal Agreement;

3.7.2.3 THIRD, to reimburse the **CITY** for the **CITY** Project Costs, plus interest, as provided in the Project and Finance Plan, for the **CITY** Public Improvements;

3.7.2.4 FOURTH, to pay the debt service on any Tax Increment Bonds issued by the **ZONE/CITY** which are and payable in whole or in part from the Available Tax Increment provided they are used to pay costs allowed under this Section 3.7.2;

3.7.2.5 FIFTH, to reimburse **CITY** or **DEVELOPER** for Project Costs, plus Interest, as provided for in the Project and Finance Plan incurred by the **CITY** or **DEVELOPER**, for Public Infrastructure Improvements constructed by either on a first in, first out basis; and

3.7.2.4 SIXTH, to reimburse or pay the cost of any project or improvement that was not included in the original Project and Finance Plan, but was later added as a subsequent project with approval of the **ZONE** and the **CITY**.

All payments approved for reimbursement by the **ZONE** shall gain interest at the rate allowed by

the Project and Finance Plan from the date of such approval, until such payment is made, and such approved reimbursements shall be paid on a first in, first out basis, subject only to the priority of payments identified in this Section 3.7.2.

3.7.3 The **CITY** shall maintain complete books and records showing all deposits to and disbursements from the Tax Increment Fund, which books and records shall be kept in accordance with generally accepted accounting principles as applied to Texas municipalities. Such books and records shall be available for examination and copying by **DEVELOPER** during normal business hours. The **CITY** shall maintain such books and records throughout the term of this Agreement and for two years thereafter.

3.8 **The Project.** The Project shall constitute and include the design, construction, assembly, installation and implementation of a multi-phase mixed use development as set forth in the land plan depicted on **Exhibit "A"**, and as more particularly set forth in the Project and Finance Plan, and built pursuant to applicable **CITY** standards prescribed by the applicable **CITY** Subdivision Rules and Regulations, and variances thereto.

The **CITY** hereby acknowledges and agrees that the following waivers and exceptions to the City of McAllen platting regulations as set forth in **Exhibit "D"** are hereby granted by **CITY** by and through the passage of the Ordinance authorizing this Agreement.

3.9 **Use of TIF Funds.** The TIF Funds will be used to pay the Developer for Public Infrastructure Improvements and Project Costs built by or caused to be built by the Developer and shall be paid to the **CITY** and to other public entities for payment of Public Infrastructure Improvements and Project Costs that are constructed by the **DEVELOPER** or **CITY** and which have a positive impact on other public infrastructure in and/or related to the Zone, and related costs only (the "Costs"). Such payments will either be in the form of check, wire transfer or transfer by direct deposit.

3.10 **Construction of Public Improvements.** Project Costs eligible for reimbursement through TIF proceeds shall be publicly bid in compliance with the requirements of the Texas Local Government Code by the Developer, depending on the contracting party for the Improvements.

3.11 **Financing.** The cost of the Public Infrastructure Improvements and all other Qualifying Costs associated with the Project shall be paid for through one of more of the following:

a. Funds obtained by the **DEVELOPER** from:

- (1) **DEVELOPER'S** capital investment;
- (2) Loans or Lines of Credit secured by **DEVELOPER**;
- (3) Venture Capital raised by or on behalf of **DEVELOPER**;
- (4) The offering or sell of Partnership shares or stock;
- (5) The sale by **DEVELOPER** of property owned by **DEVELOPER** within the **ZONE**;
- (6) Other funds lawfully obtained by or on behalf of **DEVELOPER** or the General or Limited Partners of **DEVELOPER**; and

- (7) Issuance of Bonds by the **CITY** secured only by the Tax Increment of the Zone and not as general obligations of the **CITY**, pursuant to Section 311.015 of the Act.

b. Other sources obtained at the discretion of **ZONE**, **DEVELOPER**, or **CITY**.

To the extent costs are paid for from sources a.(1) through a.(6) above, **CITY** and Board of Directors of **ZONE** pledge to use Available Tax Increment funds, up to the maximum amount provided herein, to reimburse **DEVELOPER** for Project Costs. In order to obtain such reimbursement, **DEVELOPER** must complete the improvements in compliance with this Agreement and promptly submit a Certificate of Completion and Payment Request to the **ZONE**. Upon verification of completion, the **ZONE** shall promptly reimburse the **DEVELOPER** from the Tax Increment Fund using collected tax increment, bond funds, or other available funds; or

3.12 **DEVELOPER** may use any or part of the Property owned by **DEVELOPER** as collateral for construction loan(s), loans, or other sources of financing as required for the financing of the Project. **DEVELOPER** may also use its rights to reimbursements under this Agreement for such purposes provided they are solely related to providing funds for construction of improvements or payment of professional services and all other costs related to establishing the **ZONE** or constructing improvements within the **ZONE**.

IV. DUTIES AND OBLIGATIONS OF DEVELOPER

4.1 Subject to the receipt of the consideration from and performance of this Agreement by the **CITY** and **ZONE**, **DEVELOPER** agrees to complete, or cause to be completed, the improvements described in the Project and Finance Plan which include, but are not limited to, street excavation and installation, curbing, drainage, lighting, traffic control, road improvements, signage and fencing, on-site sewer, on-site water utilities, recycled water system, parks and open space, landscaping and other improvements identified in the Project and Finance Plan in a master planned, environmentally sensitive high technology and secure development. **DEVELOPER** agrees to provide, or cause to be provided, all materials, labor and services for completing the Project, except for the City Public Improvements. **DEVELOPER** also agrees, when required in connection with improving the Project, to obtain or cause to be obtained, all necessary permits and approvals from **CITY** (subject to the exceptions and waivers attached identified in Exhibit "D") and/or all other governmental agencies having jurisdiction over the construction of improvements in **ZONE**. All improvements will be completed in accordance with the Project and Finance Plans and this Agreement.

4.2 **DEVELOPER** shall be responsible for paying, or causing to be paid, to **CITY** and all other governmental agencies the cost of all applicable permit fees and licenses required for construction of the Project, and such payment shall be subject to reimbursement to the extent included in the Project Costs.

4.3 **DEVELOPER** agrees to use its best efforts to start and complete the Project in accordance with the Project and Finance Plan.

4.4 **DEVELOPER** shall submit to **CITY** and to the Board of Directors for **ZONE** written annual reports, through the duration of the Project, on its construction progress and expenses. The first reports will be due on or before June 30, 2015 and annually on or before June 30, of each successive year during the term of the **ZONE**.

4.5 **DEVELOPER** shall diligently work to successfully complete, or have completed, any and all required improvements as set forth in the Project and Finance Plan.

4.6 **DEVELOPER** shall prepare, or cause to be prepared, plans and specifications for each Phase of Public Infrastructure Improvements prior to starting any construction in said Phase. Furthermore, **DEVELOPER** shall not commence any construction on any Phase of the Project until the plans and specifications for said Phase have been approved in writing by the appropriate departments of **CITY**, if required.

4.7 **DEVELOPER** agrees to supervise the construction of the Project and cause the construction to be performed in accordance with the Project and Finance Plan and the plans and specifications approved by the appropriate departments of **CITY**. **DEVELOPER** also agrees to provide periodic reports of such construction to **CITY** upon reasonable request.

4.8 If substantial completion of the Project or performance of other obligations by a Party is delayed by reason of war, civil commotion, acts of God, inclement weather, governmental restrictions, regulations, fire or other casualty, necessary condemnation proceedings, interference by third parties or drop in overall economic conditions, or any other circumstances reasonably beyond the Party's control, then following a written request of the Party, the deadlines set forth in any relevant provision hereof shall be extended by the period of each such delay, and shall not be used by any Party as a basis of a claim of default against any other Party.

4.9 The Parties expressly acknowledge that this Agreement requires the Developer to provide the Goods and Services to the **CITY** and the Zone are quality goods and services, including all infrastructure constructed and development services that are performed hereunder, and this Agreement shall be enforceable subject to State Law, and shall be subject to Chapter 271, Subchapter I of the Texas Local Government Code.

4.10 Developer's Obligations Regarding Technology. The **CITY** and **DEVELOPER** hereby enter into certain mutual agreements with regard to the installation, maintenance and funding of fiber optic technology and high speed internet and data service, which terms and conditions are set forth in Exhibit "E", attached hereto and made a part hereof for all purposes.

4.10 Assignment. The Parties 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 any other purpose, or to a related third party without obtaining consent of the **CITY**, provided that such reimbursements have been approved by the **ZONE**.

V. DUTIES AND OBLIGATIONS OF CITY AND ZONE

5.1 **CITY and ZONE** shall use only Available Tax Increment funds to pay **DEVELOPER** up to a maximum total payment of Two Hundred and Fifty Eight Million Five Hundred and Forty Thousand Nine Hundred and One and No/100 Dollars (\$258,540,900.00) as full reimbursement for designing and constructing the Public Infrastructure Improvements required under the Project and Finance Plan and this Agreement. This payment includes infrastructure improvements, interest payments and other qualifying project costs. **CITY** shall deposit its Available Tax Increment into the Tax Increment Fund established pursuant to the Interlocal Agreement with the County at the time required therein. The **CITY** shall receive the actual cost of the **CITY** Public Improvements, currently estimated at \$4,050,000.00, and the remainder of the Available Tax Increment, after deducting amounts reserved for Pre-TIRZ Administrative Costs, Administrative Costs and interest, shall be used to reimburse the Developer for the Project Costs incurred by it. As described above, the Tax Increment Fund may also be used to pay a maximum of \$400,000.00 in administrative expenses to the **CITY** and County, and a maximum of \$26,144,585.00 may be used to pay interest on reimbursement payments approved by the Board of Directors for the **ZONE** until paid, at a rate of 4.5%.

5.2 **Issuance of Bonds.** **CITY and ZONE** acknowledge that reimbursing **DEVELOPER** for public improvements is necessary and essential to the successful completion of the Project, and to the **CITY's** goal of continued economic development. As such, **CITY and ZONE** agree to cause Tax Increment Bonds and/or Tax Increment Notes to be issued pursuant to Section 311.015 of the Act as soon as possible based on underwriting considerations. The **CITY** agrees that it shall issue Tax Increment Bonds or Tax Increment Notes upon 900 homes being built within the **ZONE** which are being assessed taxes generating Tax Increment within the **ZONE**. The Tax Increment Bonds to be issued pursuant to this section shall be issued in the maximum amount as is reasonably and prudently determined by the **CITY** and its financial advisors that can be underwritten at reasonably acceptable interest rates based on the Tax Increment being generated per year in the **ZONE** at the time of issuance according to the **CITY's** debt issuance policies and State of Texas public finance requirements. The proceeds of the Tax Increment Bonds shall be used to pay reimbursements to the **CITY and DEVELOPER** according to the payment priority as established in the Project and Finance Plan for the **ZONE** under the paragraph entitled 'Priority of Payment' (see page 9 of the Project and Finance Plan).

5.3 If Available Tax Increment funds do not exist in an amount sufficient to make any payments in full when the payment is due to **CITY or DEVELOPER** under this Agreement, **CITY** shall make partial payments in the order of priority described above and pay the remainder as Available Tax Increment funds become available. **CITY** shall have no obligation to pay, or liability for failure to pay, any portion of the Available Tax Increment to be contributed by the County until such funds are actually received by the **CITY** from the County. Although **DEVELOPER** shall receive interest on approved reimbursements until paid (subject to the overall interest limitation set forth in Section 5.1 above), no fees, costs, expenses, or penalties shall be paid to **DEVELOPER** on any late payment, unless caused by intentional breach of this Agreement by the party making such late payment. The **CITY** is not obligated to make payment above and beyond what is actually collected as Available Tax Increment funds. There shall also be no

recourse against any Participating Taxing Entity, public official, **ZONE**, or **ZONE BOARD** if all or part of the **DEVELOPER** contributions or costs are not reimbursed due to insufficient tax revenue generated by the Zone.

5.4 The Parties understand that Sharyland Water Supply Corporation holds the certificate of convenience and necessary for the Property within the **ZONE** and as such shall provide all public potable water utility service to the **ZONE**. The **CITY**, acting by and through the McAllen Public Utilities Board, shall provide sewer and recycled water service to the **ZONE** as per the terms set forth in Exhibit "F", attached hereto and incorporated by reference as if fully set forth herein.

5.5 CITY's Obligations Regarding Technology. The **CITY's** obligation with regard to the installation, maintenance and funding of fiber optic technology and high speed internet and data service shall be as set forth in Section 4.10 above and as more fully described in Exhibit "E".

5.6 Sports Complex. The **CITY** has indicated that they may create a sports complex (the "Sports Complex") on approximately 80 or more acres located across Ware Road immediately to the east of the Property on **CITY**-owned land.

5.7 The **CITY** shall acknowledge the value of donations made by the **DEVELOPER** as a result of this Agreement through the approval and execution of required IRS forms based upon appraisal value of the properties donated to **CITY**, if any, as established by a licensed appraiser, the cost of which must be paid by the **DEVELOPER**.

VI. INSURANCE

6.1 **DEVELOPER's** financial integrity is of interest to **CITY**; therefore, subject to **DEVELOPER's** right to maintain reasonable deductibles in such amounts as are approved by **CITY**, **DEVELOPER** shall obtain and maintain in full force during construction of all Public Infrastructure Improvements required by the Project Plan and Finance Plan at **DEVELOPER's** sole and reimbursable expense, insurance coverage written on an occurrence basis, except for professional liability coverage which shall be on a claims made basis, by companies authorized and admitted to do business in the State of Texas and rated A - or better by A.M. Best Company and/or otherwise acceptable to **CITY**, initially in the types and amounts set forth on Exhibit "G" attached hereto and incorporated by reference as if fully set forth herein.

6.2 **CITY** shall be entitled, upon request and without expense, to receive copies of the policies and all endorsements thereto as they apply to the limits required by **CITY** and may require such deletions, revisions or modifications of particular policy terms, conditions, limitations or exclusions (except where policy provisions are established by law or regulation binding upon either of the parties hereto or the underwriter of any such policies). **CITY** shall also have the right to require additional or different coverage from time to time and to require increased policy limits from time to time as **CITY** deems appropriate in its discretion, provided that such change is required by the law of the State of Texas. Upon such request by **CITY**, **DEVELOPER** shall accomplish such changes in policy coverage and shall pay the cost thereof.

6.3 Nothing herein contained shall be construed as limiting in any way the extent to which

DEVELOPER may be held responsible for payments of damages to persons or property resulting from the performance of work by **DEVELOPER** or any of its subcontractors covered under this Agreement.

6.4 DEVELOPER SHALL, AND HEREBY DOES, INDEMNIFY CITY, ZONE, THE BOARD OF DIRECTORS FOR ZONE, AND ALL OTHER TAXING ENTITIES PARTICIPATING IN THE ZONE AND THEIR RESPECTIVE OFFICIALS AND EMPLOYEES FROM AND AGAINST ANY AND ALL CLAIMS, LOSSES, DAMAGES, CAUSES OF ACTIONS, SUITS AND LIABILITIES (COLLECTIVELY "CLAIMS") RAISED BY THIRD PARTIES ARISING OUT OF ACTIONS RELATED TO THE PERFORMANCE OF THIS AGREEMENT AND THE CONSTRUCTION OF PUBLIC INFRASTRUCTURE IMPROVEMENTS BY DEVELOPER AND DEVELOPER'S CONTRACTORS, SUBCONTRACTORS, BUT NOT OTHERWISE.

6.5 DEVELOPER shall also require each of its contractors and subcontractors working on this Project to indemnify the Board of Directors for the **ZONE, CITY** and all other taxing entities participating in the **ZONE** and their respective officials and employees from and against any and all claims, losses, damages, causes of actions, suits and liabilities arising out of their actions related to the performance of this Agreement, utilizing the same indemnification language contained herein, in its entirety, or to carry insurance to contractually transfer such risk under policies naming both the **CITY** and the County, as a named additional insured.

VII. DEFAULT

7.1 The following events, if not cured within 120 (one-hundred and twenty) calendar days after receipt of written notice by a Party, shall constitute a "Default": (i) any **Party** fails to pay any taxes or special assessments levied against it or any part of the Property owned by it prior to the time said taxes or special assessments are delinquent; or (ii) any **Party** fails to commence performing an obligation or complete performance of an obligation required to be performed by that Party under this Agreement. In the event the Default is by the **DEVELOPER**, the **CITY** or the Board of Directors for **ZONE** may terminate this Agreement, after a final judgment by a Court of competent jurisdiction that a Default has occurred by the **DEVELOPER** hereunder. If this Agreement or the **ZONE** is terminated and the **DEVELOPER** has incurred expenditures at the time of termination for Public Infrastructure Improvements that were specifically approved by the Board of Directors for the **ZONE** and such infrastructure has been completed at the time of termination, then **DEVELOPER** shall be reimbursed for such expenditures out of the Tax Increment Fund, despite termination of this Agreement or **ZONE**. In the event that the default is by the **ZONE** or **CITY**, then the **DEVELOPER** shall have the right to seek any and all equitable remedies through Courts of competent jurisdiction to abate the defaults through injunctive relief and or specific performance. The remedies of the **Parties** as set forth above shall be in addition to and cumulative of any other rights and remedies available to them at law or in equity in the event of a default by any other **Party**. The **Parties** expressly agree that in an action to establish that a Party has committed a default under this Agreement all legal fees and expenses by all Parties to the action shall be paid for by the **Party** bringing the action if the court finds that no Default occurred.

VIII. INDEMNIFICATION

8.1 DEVELOPER COVENANTS AND AGREES TO FULLY INDEMNIFY AND HOLD HARMLESS, CITY, ZONE, THE BOARD OF DIRECTORS FOR THE ZONE AND THE OTHER TAXING ENTITIES PARTICIPATING IN THE ZONE FROM AND AGAINST ANY AND ALL COSTS, CLAIMS, LIENS, DAMAGES, LOSSES, EXPENSES, FEES, FINES, PENALTIES, PROCEEDINGS, ACTIONS, DEMANDS, CAUSES OF ACTION, LIABILITY AND SUITS OF ANY KIND AND NATURE BROUGHT BY A THIRD PARTY, INCLUDING BUT NOT LIMITED TO, PERSONAL OR BODILY INJURY, DEATH AND PROPERTY DAMAGE, MADE UPON THE CITY, ZONE, THE BOARD OF DIRECTORS FOR THE ZONE AND THE OTHER TAXING ENTITIES PARTICIPATING IN THE ZONE DIRECTLY OR INDIRECTLY ARISING OUT OF, RESULTING FROM OR RELATED TO DEVELOPER'S ACTIVITIES UNDER THIS DEVELOPMENT AGREEMENT, INCLUDING ANY ACTS OR OMISSIONS OF DEVELOPER, ANY AGENT, OFFICER, DIRECTOR, REPRESENTATIVE, EMPLOYEE, CONSULTANT OR SUBCONTRACTOR OF DEVELOPER, AND THEIR RESPECTIVE OFFICERS, AGENTS, EMPLOYEES, DIRECTORS AND REPRESENTATIVES WHILE IN THE EXERCISE OF PERFORMANCE OF THE RIGHTS OR DUTIES UNDER THIS DEVELOPMENT AGREEMENT. THE INDEMNITY PROVIDED FOR IN THIS PARAGRAPH SHALL NOT APPLY TO ANY LIABILITY RESULTING FROM THE NEGLIGENCE OF CITY, ZONE, THE BOARD OF DIRECTORS FOR THE ZONE AND THE OTHER TAXING ENTITIES PARTICIPATING IN THE ZONE. IN THE EVENT DEVELOPER AND CITY ARE FOUND JOINTLY LIABLE BY A COURT OF COMPETENT JURISDICTION, LIABILITY SHALL BE APPORTIONED COMPARATIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS, WITHOUT, HOWEVER, WAIVING ANY GOVERNMENTAL IMMUNITY AVAILABLE TO THE CITY, ZONE, THE BOARD OF DIRECTORS FOR THE ZONE AND THE OTHER TAXING ENTITIES PARTICIPATING IN THE ZONE UNDER TEXAS LAW AND WITHOUT WAIVING ANY DEFENSES OF THE PARTIES UNDER TEXAS LAW AS TO SAID CLAIMANTS. THE PROVISIONS OF THIS INDEMNIFICATION ARE SOLELY FOR THE BENEFIT OF THE PARTIES HERETO AND NOT INTENDED TO CREATE OR GRANT ANY RIGHTS, CONTRACTUAL OR OTHERWISE, TO ANY OTHER PERSON OR ENTITY. DEVELOPER SHALL PROMPTLY ADVISE THE CITY IN WRITING OF ANY CLAIM OR DEMAND AGAINST THE CITY OR DEVELOPER KNOWN TO DEVELOPER RELATED TO OR ARISING OUT OF DEVELOPER'S ACTIVITIES UNDER THIS AGREEMENT.

IX. SITE INSPECTION

9.1 DEVELOPER shall allow CITY and/or the Board of Directors for the ZONE reasonable access to the Project site for inspections during and upon completion of construction of the Project, and to documents and records necessary for CITY and/or the Board of Directors for the ZONE to assess DEVELOPER'S compliance with this Agreement.

9.2 All personnel supplied or used by **DEVELOPER** in the performance of this Agreement shall be deemed employees, contractors or subcontractors of **DEVELOPER** and shall not be considered employees, agents or subcontractors of **CITY, ZONE**, the Board of Directors for **ZONE**, or of any other taxing Entities participating in the **ZONE** for any purpose whatsoever. **DEVELOPER** shall be solely responsible for the compensation of all such personnel.

9.3 The directors, officers, elected or appointed officials, employees and agents of **CITY, ZONE**, the Board of Directors for the **ZONE**, and any other taxing entities participating in **ZONE** shall be protected from personal responsibility for any liability arising under or growing out of the Agreement.

X. EXAMINATION OF RECORDS

10.1 **CITY** reserves the right to conduct examinations, during regular business hours and following notice to the Board of Directors for the **ZONE** and **DEVELOPER**, of the books and records related to the Agreement (including such items as contracts, paper, correspondence, copy, books, accounts, billings and other information related to the performance of the Board of Directors for **ZONE** and/or **DEVELOPER**'s services hereunder) no matter where books and records are located. **CITY** also reserves the right to perform any and all additional audit tests relating to the Board of Directors for the **ZONE** and/or **DEVELOPER**'s services, provided that such audit tests are related to those services performed by the Board of Directors for the **ZONE** and/or **DEVELOPER** for the **CITY**. These examinations shall be conducted at the offices maintained by the Board of Directors for the **ZONE** and/or **DEVELOPER**, during normal business hours.

XI. NON-WAIVER

11.1 Any provision of this Agreement may be amended or waived if done in writing and signed by **CITY**, through an Ordinance passed and approved by its City's Commission, the Board of Directors for the **ZONE**, and **DEVELOPER**.

XII. ENTIRE AGREEMENT

12.1 This written Agreement embodies the final and entire agreement between the Parties hereto and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral agreements of the Parties.

12.2 The exhibits attached to this Agreement are incorporated herein and shall be considered a part of this Agreement for the purposes stated herein, except that if there is a conflict between an exhibit and a provision of this Agreement, the provision of this Agreement shall prevail over the exhibit.

XIII. CHANGES AND AMENDMENTS

13.1 Any alterations, additions, or deletions to the terms hereof shall be by amendment in writing executed by **CITY, ZONE** and **DEVELOPER** and evidenced by passage of a subsequent

CITY Resolution or Ordinance, as to City's approval.

13.2 It is understood and agreed by the parties hereto that changes in CITY rules, regulations or laws applicable to the ZONE and DEVELOPER's services hereunder may occur during the term of this Agreement and the parties agree to amend this Agreement to reflect such changes in rules, regulations or laws. It is further understood and agreed that DEVELOPER shall enjoy, and has not by this Agreement waived, its right to complete the Project under and according to the rules and regulations in effect as of the date of this Agreement, as modified by any waivers and exceptions approved and granted herein.

13.3 The Parties agree that the Board of Directors for the ZONE, without consent of CITY, may amend the Project Master Development Plan, Project schedule, or the amounts in the categories of the Project and Finance Plan, provided such changes do not: cause a change in the amount of contribution required by the CITY or County; or change the timing of the schedule by more than 25%; and do not increase the Term of or the area of the ZONE. Any increase or decrease in either the Project Costs or the scope and scale of the Project greater than twenty-five percent (25%) (hereinafter a "Material Change") would require written consent by the CITY. The ZONE shall have the right to amend and modify the Project and Finance Plan without providing prior written notice to the CITY and County so long as such amendment or modification does not constitute a Material Change. The CITY and the ZONE agree to provide prior written notice to the County of 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.

XIV. SEVERABILITY

14.1 If any clause or provision of this Agreement is held invalid, illegal or unenforceable under present or future federal, state or local laws, including but not limited to CITY Code, Regulations, or Ordinances of the CITY, then and in that event, it is the intention of the parties hereto that such invalidity, illegality or unenforceability shall not affect any other clause or provision hereof and that the remainder of this Agreement shall be construed as if such invalid, illegal or unenforceable clause or provision was never contained herein; it is also the intention of the parties hereto that in lieu of each clause or provision of this Agreement that is invalid, illegal or unenforceable, there be added as a part of the Agreement, a clause or provision as similar as may be possible to such invalid, illegal or unenforceable clause or provision that is legal, valid and enforceable.

XV. VENUE AND GOVERNING LAW

15.1 THIS CONTRACT SHALL BE CONSTRUED UNDER AND IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS.

15.2 Any legal action or proceeding brought or maintained, directly or indirectly, as a result of this Agreement shall be heard and determined in City of McAllen, Texas. CITY acknowledges that any legal action or proceeding brought or maintained, directly or indirectly, as a result of this Agreement results in CITY's waiver of liability to suit and damages under the terms of this Agreement and under Texas law. The parties agree that any dispute that may arise under this

Agreement shall first be submitted to mediation, or to alternative dispute resolution proceedings before litigation is filed.

XVI. TAXES

16.1 **DEVELOPER** shall pay, on or before their respective due dates to the appropriate collecting authority, all Federal, State, and local taxes and fees that are now or may hereafter be levied upon property owned by **DEVELOPER** within the Zone Property, and cooperate in assuring that the value of all sales of the property from the **DEVELOPER** to any third party, or any part thereof, are timely reported to the City of McAllen and the Hidalgo County Appraisal District.

XVII. NOTICE & ESCROW

17.1 Any notice sent under this Agreement (except as otherwise expressly required) must be written and mailed with sufficient postage, sent by certified mail, return receipt requested, or delivered personally to an officer of the receiving party at the following addresses:

CITY:

City of McAllen

Attn: City Manager

1300 Houston Avenue

McAllen, Texas 78501

Phone: (956) 681-1000

DEVELOPER:

Rhodes Enterprises, Inc.

Attn: Mike Rhodes, President

200 S. 10th Street

McAllen, Texas 78501

Phone: (956) 287-2800

With Copy To:

Earl & Associates P.C.

Mr. David L. Earl and Megan J. Clay

601 NW Loop 410, Ste. 390

San Antonio, Texas 78216

Phone: (210) 222-1500

ZONE:

City of McAllen Tax Reinvestment Zone Number One

Attn: Mike Rhodes, Presiding Officer

200 S. 10th Street

McAllen, Texas 78501

Phone: (956) 287-2800

17.2 Each party may change its address by written notice in accordance with this Article. Any communication delivered by facsimile transmission shall be deemed delivered when such transmission is made if during normal business hours or at the beginning of the next business day if the transmission is made after normal business hours. Any communication delivered in person shall be deemed received when receipted for by or actually received by an officer of the party to whom the communication is properly addressed.

XVIII. CAPTIONS

18.1 All captions used herein are only for the convenience of reference and shall not be construed to have any effect or meaning as to the written agreement between the parties hereto.

XIX. EFFECTIVE DATE

19.1 This Agreement shall become effective from the date of execution. This Agreement shall terminate on the earlier of: (i) the date **DEVELOPER** receives the final payment to which the Developer is entitled for constructing the Public Infrastructure Improvements for the Project pursuant to this Agreement; (ii) the date of a termination by default (provided that all required cure periods have been provided and the default remains uncured and all existing warranties on the Project shall survive termination of this Agreement); or (iii) expiration of the **ZONE** pursuant to the dated Resolution of the **CITY** creating the **ZONE**, unless extended by the City.

XX. MISCELLANEOUS

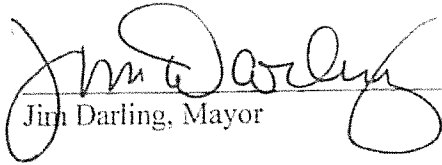
20.1 Venue. This Agreement is performable in Hidalgo County, Texas, and venue of any action arising out of this Agreement shall be exclusively in Hidalgo County, Texas. This Agreement shall be governed and construed in accordance with the laws of the State of Texas.

20.2 Entire Agreement. This Agreement embodies the complete agreement of the Parties, superseding all prior or contemporaneous oral or written agreements between the Parties and relating to subject matter of this Agreement (other than the Zone Ordinance, the Interlocal Agreement, and the Project and Finance Plan).

IN WITNESS THEREOF, the parties hereto have caused this instrument to be duly executed this 9th day of MARCH 2015.

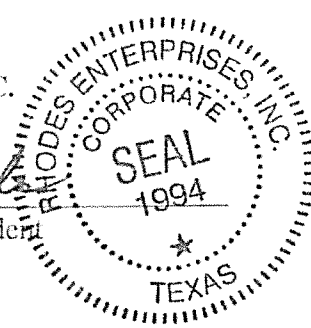
[SIGNATURES ON FOLLOWING PAGE]

CITY OF MCALLEN

By: 
Jim Darling, Mayor

RHODES ENTERPRISES, INC.

By: 
Michael B. Rhodes, President

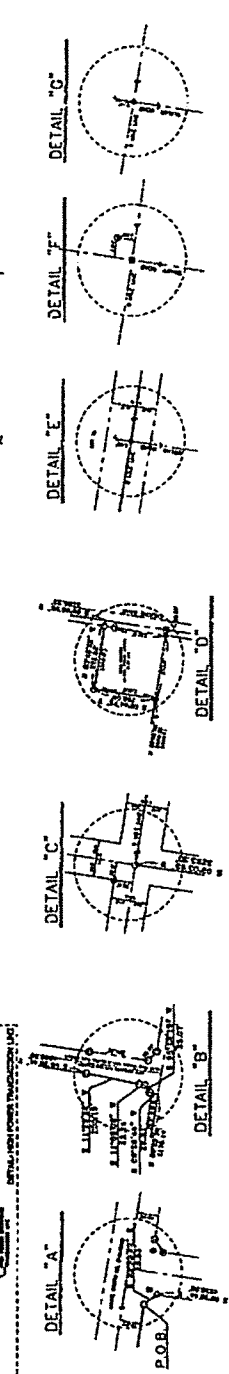


**TAX REINVESTMENT ZONE NUMBER ONE,
CITY OF MCALLEN, TEXAS**

By: 
Michael B. Rhodes, Chairman

EXHIBIT "A"

Zone Property



WELSH TRIP 1964 AND 1968 DATES

7-28-64

Revised: September 18, 2014
Revised February 10, 2000
Revised January 13, 2000
June 15, 1899

**METES AND BOUND DESCRIPTION
2561.402 ACRES OF LAND OUT OF
SECTIONS 223, 224, 227, 230, 232
TEXAS-MEXICAN RAILWAY CO. SURVEY
AND OUT OF LOT 54-7
WEST ADDITION TO SHARYLAND SUBDIVISION
HIDALGO COUNTY, TEXAS**

A tract of land containing 2561.402 acres situated in the County of Hidalgo, Texas, being 2571.402 acres comprised of 1.) 18.865 acres being a part or portion of LOT 54-7, OUT OF THE AMENDED MAP OF LOTS 53-6, 54-6, 55-6, 56-6, 57-6, 58-6, 59-6, 53-7, 54-7, 55-7, 56-7, 57-7, 58-7, 59-7, 53-8 & 53-9, WEST ADDITION TO SHARYLAND SUBDIVISION, according to the plat thereof recorded in Volume 6, Page 42, Hidalgo County Map Records, 2.) ALL OF SECTION 223, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 8, Page 54, Hidalgo County Map Records; 3.) ALL OF SECTION 224, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 411, Page 149-150, Hidalgo County Deed Records; 4.) a part or portion of SECTION 227, TEXAS-MEXICAN RAILWAY CO. SURVEY; 5.) a part or portion of SECTION 230, TEXAS-MEXICAN RAILWAY CO. SURVEY; 6.) a part or portion of SECTION 232, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the patent issued by the State of Texas, to W. S. Daugherty recorded in Volume 4, Page 142-143, Hidalgo County Deed Records, SAVE AND EXCEPT 10.00 acres conveyed to Hidalgo County Irrigation District No. 7 by virtue of a Warranty Deed recorded in Volume 622, Page 638, Hidalgo County Deed Records, said 2571.402 acres also being more particularly described as follows:

BEGINNING at an iron rod found for the Northeast corner of this tract, said iron rod bears N 80° 46' 37" W a distance of 59.15 feet, and S 09° 13' 23" W a distance of 40.00 feet from the Northeast corner of said Section 232;

1. THENCE, S 33° 30' 29" E along the West right-of-way line of Ware Road (F. M. 2220) as dedicated by Volume 10, Page 42, Volume 1082, Page 81, and Volume 1073, Page 92, Hidalgo County Deed Records, a distance of 28.53 feet to an iron rod set for an outside corner of this tract;
2. THENCE, S 08° 36' 44" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 4939.99 feet to an iron rod found for an angle point;
3. THENCE, S 11° 29' 22" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 200.19 feet to an iron rod found for an angle point;
4. THENCE, S 11° 08' 08" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 22.24 feet to an iron rod found for an angle point;
5. THENCE, S 55° 13' 13" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 33.07 feet to an iron rod found for an inside corner of this tract;
6. THENCE, S 08° 36' 44" W along the West right-of-way line of said Ware Road (F. M. 2220), at a distance of 9.81 feet pass the North right-of-way line of Mile 9 Road, and continuing a total distance of 29.81 feet to the Northernmost Southeast corner of this tract;
7. THENCE, N 80° 23' 30" W along the South line of said Section 232, the North line of Lots 35-68, Section 229, Tex-Mex as per plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, and within Mile 9 Road right-of-way, a distance of 5175.14 feet to an iron pipe found for the Southwest corner of said Section 232, and the Northeast corner of Section 230 for an inside corner of this tract;

8. THENCE, S 09°05' 05" W along the East line of said Section 230, and the West line of Section 229, as per said plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, at a distance of 2519.05 feet pass an iron pipe found in line, and now continuing along the West line of Section 229, Tex-Mex, as per plat thereof recorded in Volume 12, Page 22, Hidalgo County Map Records, and continuing a total distance of 3295.30 to an outside corner of this tract;
9. THENCE, N 80° 48' 32" W a distance of 251.52 feet (250.00 feet) to an iron rod set for an inside corner of this tract;
10. THENCE, S 08° 44' 55" W, at a distance of 20.00 pass an iron pipe found in line, and continuing a total distance of 250.00 feet to an iron pipe found for an outside corner of this tract;
11. THENCE, N 80° 55' 38" W a distance of 2503.36 feet (2503.2 feet) to an iron pipe found for an inside corner of this tract;
12. THENCE, S 09° 02' 13" W at a distance of 1611.44 feet pass the North right-of-way line of Mile 8 Road, and continuing a total distance of 1631.44 feet to the Southernmost Southeast corner of this tract;
13. THENCE, N 80° 48' 07" W along the South line of said Section 230, and within said Mile 8 Road right-of-way, a distance of 627.20 feet to an iron rod found for the centerline of Glasscock Road, and for an angle point of this tract;
14. THENCE, N 80° 47' 57" W along the South line of said Section 230, said Section 223, and within said Mile 8 Road right-of-way, a distance of 2644.96 feet to a concrete monument found for the centerline of Stewart Road, and for an angle point of this tract;
15. THENCE, N 81° 10' 51" W along the South line of said Section 223, and within said Mile 8 Road right-of-way, at a distance of 2658.21 feet pass an iron rod found in line and for the center line of Bryan Road, and continuing a total distance of 4164.66 feet to the Southwest corner of said Section 223, and for the Southernmost Southwest corner of this tract;
16. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 1554.21 feet to an iron rod set for an inside corner of this tract;
17. THENCE, N 81° 02' 31" W along the South line of said Section 223, and said Section 224, at a distance of 1161.82 feet pass an iron rod found in line, at a distance of 2462.04 feet pass an iron rod found in line, and continuing a total distance of 2915.12 feet to an iron pipe found for the Southwest corner of said Section 224 and to a point on the East line of said Lot 54-7, for an inside corner of this tract;
18. THENCE, S 08°59' 01" W along the East line of said Lot 54-7, a distance of 110.00 feet to the Southeast corner of said Lot 54-7, for an outside corner of this tract;
19. THENCE, N 81° 17' 16" W along the South line of said Lot 54-7, at a distance of 761.50 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 791.50 feet to the Southwest corner of said Lot 54-7, for the Northernmost Southwest corner of this tract;
20. THENCE, N 08°42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 280.00 feet to an outside corner of this tract;
21. THENCE, S 81°17' 16" E at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing along the South line of The Frass Subdivision (Vol.25, Pg.134-A H.C.M.R.), for a total distance of 205.00 feet to a No.4 rebar set at the Southeast corner of said The Frass Subdivision, for an inside corner of this tract;
22. THENCE, N 08°42' 46" E along the East line of said The Frass Subdivision, a distance of 125.00 feet to a No.4 rebar set at the Northeast corner of said The Frass Subdivision, for an inside corner of this tract;

23. THENCE, N 81°17'16" W along the North line of said The Frass Subdivision, at a distance of 175.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 205.00 feet to an outside corner of this tract;
24. THENCE, N 08°42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 692.13 feet to the Southernmost Northwest corner of this tract;
25. THENCE, S 81°17' 16" E along the South line of a certain 3.82-acre tract, at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing a total distance of 746.69 feet to a No.4 rebar set for an outside corner of this tract;
26. THENCE, S 08° 59' 01" W along the West line of a tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7 (now United Irrigation District) by virtue of a Deed recorded in Vol.519, Pg.65, Hidalgo County Deed Records, a distance of 477.14 feet to a No.4 rebar set for an inside corner of this tract;
27. THENCE, S 81°17' 16" E along the South line of said tract conveyed to Hidalgo Co. Water Control & Imp. Dist. No.7, a distance of 50.00 feet to a No.4 rebar set for an inside corner of this tract;
28. THENCE, N 08° 59' 01" E along the West line of said Section 224, a distance of 2284.35 feet to an iron pipe found for the Northwest corner of said Section 224, and for an outside corner of this tract;
29. THENCE, S 81° 02' 31" E along the North line of said Section 224, a distance of 2554.12 feet to an iron rod set for the Northeast corner of said Section 224, and for an inside corner of this tract;
30. THENCE, N 08° 59' 01" E along the West line of said Section 223, a distance of 854.95 feet to an iron pipe found for the Northwest corner of said Section 223, and for an outside corner of this tract;
31. THENCE, S 80° 46' 58" E along the North line of said Section 223, a distance of 3177.65 feet to an iron pipe found for an angle point of this tract;
32. THENCE, S 80° 45' 29" E along the North line of said Section 223, a distance of 2102.46 feet to an iron pipe found for the Northeast corner of said Section 223, and for an inside corner of this tract;
33. THENCE, N 09° 03' 26" E along the West line of said Section 227, at a distance of 3795.04 feet pass an iron pipe found in line, and continuing a total distance of 5216.19 feet to an iron pipe found for the Northernmost Northwest corner of this tract;
34. THENCE, S 80° 40' 40" E along the South right-of-way line of Monte Cristo Road (F. M. 1925) as dedicated by Volume 933, Page 430, Volume 904, Page 241, Volume 896, Page 277, and Volume 930, Page 57, Hidalgo County Deed Records, a distance of 3275.69 feet to an iron rod set for a curve to the right;
35. THENCE, along said curve to the right and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of 02° 26' 09", a radius of 7018.19 feet, an arc length of 298.37 feet, a tangent of 149.21 feet, and a chord that bears S 79° 27' 35" E a distance of 298.35 feet to an iron rod set;
36. THENCE, S 78° 14' 30" E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 363.73 feet to an iron rod set for a curve to the left;
37. THENCE, along said curve to the left and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of 02° 25' 58", a radius of 7107.46 feet, an arc length of 301.77 feet, a tangent of 150.91 feet, and a chord that bears S 79° 27' 29" E a distance of 301.75 feet to an iron rod set;
38. THENCE, S 80° 40' 28" E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 1325.10 feet to an iron rod set for a curve to the left;

39. THENCE, along said curve to the left and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of $03^{\circ} 00' 32''$, a radius of 5860.53 feet, an arc length of 307.78 feet, a tangent of 153.92 feet, and a chord that bears $S 82^{\circ} 10' 44''$ E a distance of 307.74 feet to an iron rod set;
40. THENCE, $S 83^{\circ} 41' 00''$ E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 400.58 feet to an iron rod set for a curve to the right;
41. THENCE, along said curve to the right and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of $02^{\circ} 54' 23''$, a radius of 5886.71 feet, an arc length of 298.62 feet, a tangent of 149.34 feet, and a chord that bears $S 82^{\circ} 13' 48''$ E a distance of 298.59 feet to an iron rod set;
42. THENCE, $S 80^{\circ} 46' 37''$ E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 3858.87 feet to the POINT OF BEGINNING, and containing 2571.402 acres, SAVE AND EXCEPT the above mentioned 10.00 acres conveyed to Hidalgo County Irrigation District No. 7, leaving 2,561.402 acres of land, more or less.

I, FRED L. KURTH, REGISTERED PROFESSIONAL LAND SURVEYOR DO HEREBY AFFIRM THAT THIS METES AND BOUNDS DESCRIPTION REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND ON 04/15/99 & 02/05/04 UNDER MY DIRECTION AND SUPERVISION.


FRED L. KURTH, R.P.L.S. #4750 9-17-14
DATE:

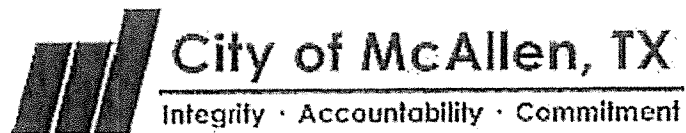


EXHIBIT "B"

Project and Finance Plan

:

CITY OF MCALLEN, TEXAS



**Tres Lagos
Tax Increment Reinvestment Zone Number One
Project and Finance Plan**

Participation Levels:
City of McAllen (80%) & Hidalgo County (77%)

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EXECUTIVE SUMMARY

Overview of Plan

Tax Increment Reinvestment Zone Number One, City of McAllen, Texas, (the "Zone" or the "TIRZ") represents an important opportunity for the future of the City of McAllen (the "City"). It will promote and encourage construction of approximately 2,571 acres of mixed use development including single-family, multi-family, retail, office and commercial development (the "Project"), and the creation of more than eight thousand new jobs.

Creation of the TIRZ and implementation of the Project will:

- (1) Increase the population and tax base of the area;
- (2) Remove low valued vacant land from the tax rolls and replace it with higher value development;
- (3) Include creation of a public improvement district pursuant to Chapter 372 of the Texas Local Government Code ("PID") as a mechanism to ensure that the development, rather than the existing City taxpayers, pay for the upkeep and maintenance of some of the public roads and infrastructure in the development; and
- (4) Start a new model for development in the area that is more sensitive to the environment (i.e., recycled water, green spaces, curving design, etc.) and is more sustainable (higher employment base, superior technology, enhanced security, etc.).

This tract of land has remained vacant and undeveloped because either (1) the costs associated with developing the land in the preferred manner prohibited the efficient use of the property, or (2) the property was unavailable for development when development should have occurred and current development costs for the desired development are uneconomical. Creation of the TIRZ will allow for construction of infrastructure and other improvements including single-family subdivisions, multi-family projects, commercial projects, retail developments and thousands of new jobs and related economic development that will cause public benefits that would otherwise be very difficult, if not impossible, to obtain due to costs that include off-site utility extensions, on-site and off-site utility plant expansions, on-site street and utility extensions, drainage improvements, community Wi-Fi, surveillance cameras, Fiber-to-the-Home infrastructure and significant park and recreational installations.

The Zone is located at the southwest corner of Ware Road and Monte Christo Road (the "Property"). Please see **Exhibit 1** for a location map of the Property. This Project and Finance Plan will be implemented through the execution of a Development Agreement between the City of McAllen, the Board of Directors of the Zone, and Rhodes Enterprises Inc., its successors and assigns, (acting as the "Developer"), which sets forth the rights and obligations of the parties to assure successful completion of the proposed Project. Unless otherwise defined herein, all defined terms in this Project and Finance Plan shall have the meanings set forth in the Development Agreement.

Anticipated Benefits of Development

The projected benefits of the Zone are as follows:

- The original plan for the Property was to develop a rural subdivision with lots ranging from 1 acre to 10 acres, with the entire development remaining in the County. However, the proposed mixed use development has greater density, supports retail, multifamily, office and institutional uses, creates additional employment and will generate a superior tax base.
- The entire 2,571 acres are currently located in the city limits of the City and within Hidalgo County, Texas. The Property was annexed through a Developer petition conditioned on (1) the City approving participation in the TIRZ in an amount equal to 80% of the revenue generated from the CITY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE, and the remaining 20% being retained by the City, and (2) Hidalgo County approving participation in the ZONE by contributing to the Tax Increment Fund an amount equal to 77% of the revenue generated from the COUNTY M&O Tax Rate (as defined in the Interlocal Agreement) as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE, and the remaining 23% being retained by the County, during the term of the Zone.
- Over 125 acres of parkland that will be developed and dedicated to the City for public use.
- The Developer will dedicate drainage right-of-way that will improve drainage issues for the community upstream and downstream of the Zone with an estimated value of \$6,000,000.00.
- Recycled water will be used to water the green spaces providing enhanced water conservation.
- The Tres Lagos development will be the first in the region to provide Fiber-to-the-Home (FTTH) for high-speed internet access (up to 1 Gbps).
- Enhance and increase the population within the area, and the economy of the overall general area.
- Provide for pedestrian safety and access through walking trails and street light construction.
- Provide for public use sites and assist in funding emergency access networks.
- Enhance the quality of life within the development and surrounding areas through parks landscaping and increased recreational opportunities.
- Create a sustainable housing initiative for the benefit of landowners inside and outside of the Zone through encouraging green build and ENERGY STAR construction of homes and buildings.

- Generate significant revenue in the form of ad valorem tax, utility fees, property tax, et al, and help extend utility (water, sewer, recycled water, cable, and data) service to adjoining tracts and other areas for future development.
- Add over +/- \$2,600,000,000.00 to the tax base of the City and County over the life of the Zone.*¹
- Require only the taxes from within the Zone, and not existing taxpayers in the City or the County, to pay all the costs of the installation of all utilities required for the Project.
- Create a new and replicable standard for better and more sustainable development within the City that encourages new development to pay for itself in a greater amount and does not place the burden unfairly on the City's current budget or on the current and existing taxpayers.

The TIRZ Concept

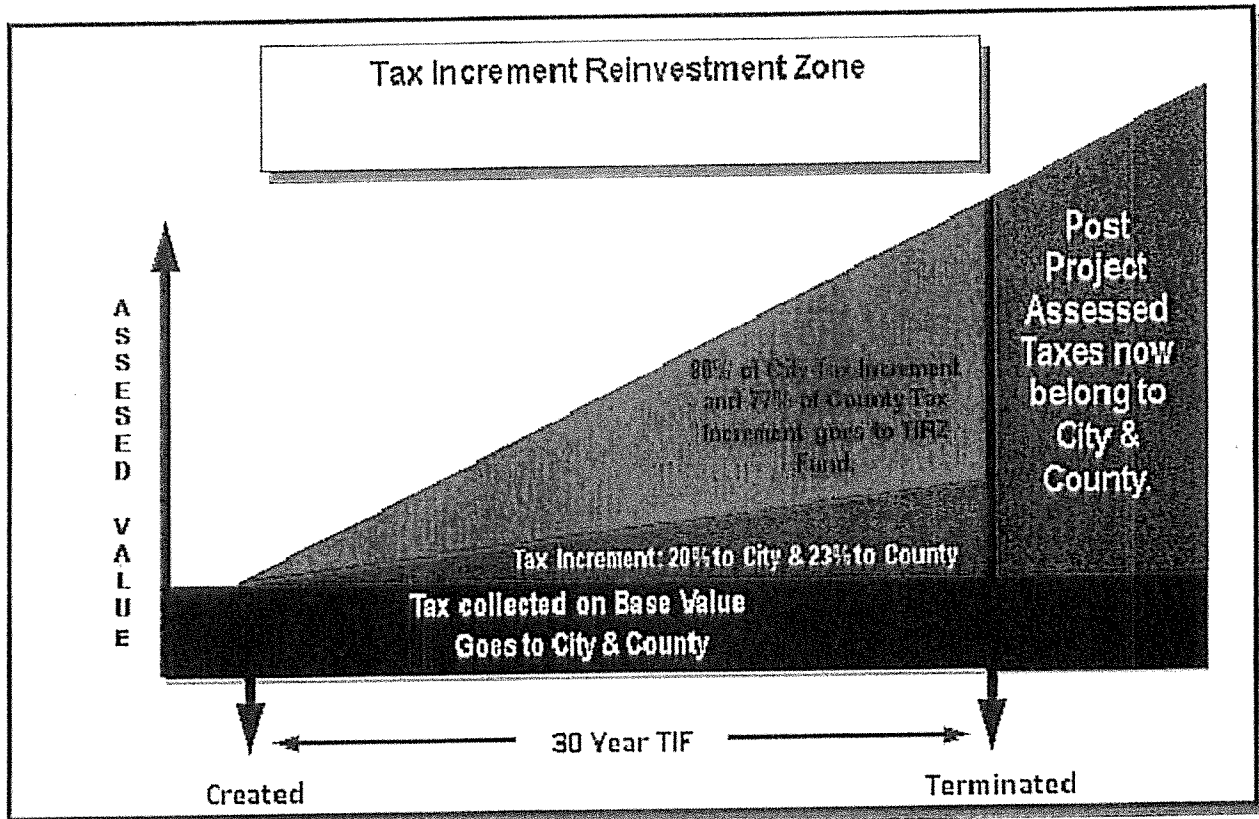
A TIRZ or Tax Increment Reinvestment Zone is a financing tool authorized by the State of Texas Legislature in Chapter 311 of the Texas Tax Code. The purpose of the statute is to allow cities and counties to provide an incentive to develop areas that lack the infrastructure or have other impairments to desirable growth and development.

When a zone is created, the "base value" of the area is frozen for tax purposes. The existing taxing entities continue to receive tax revenues as before. However the increased tax revenue ("the increment") generated by new development within the zone will be used to reimburse costs related to public improvements within the zone as well as other related allowable expenses. The zone will have a life equal to a predetermined number of years. Upon reaching that date, or upon all costs having been reimbursed, whichever comes first, the zone will terminate. Upon termination, the increased tax revenue belongs to the respective taxing entities. The investment in public infrastructure and public amenities will cause the tax revenue received by the City and County to be much greater both during the TIRZ and afterwards than would have been received without the TIRZ. Comparison charts below illustrate the level of tax revenue and public benefit received through the TIRZ Project and Finance Plan compared to ordinary non-TIRZ development.

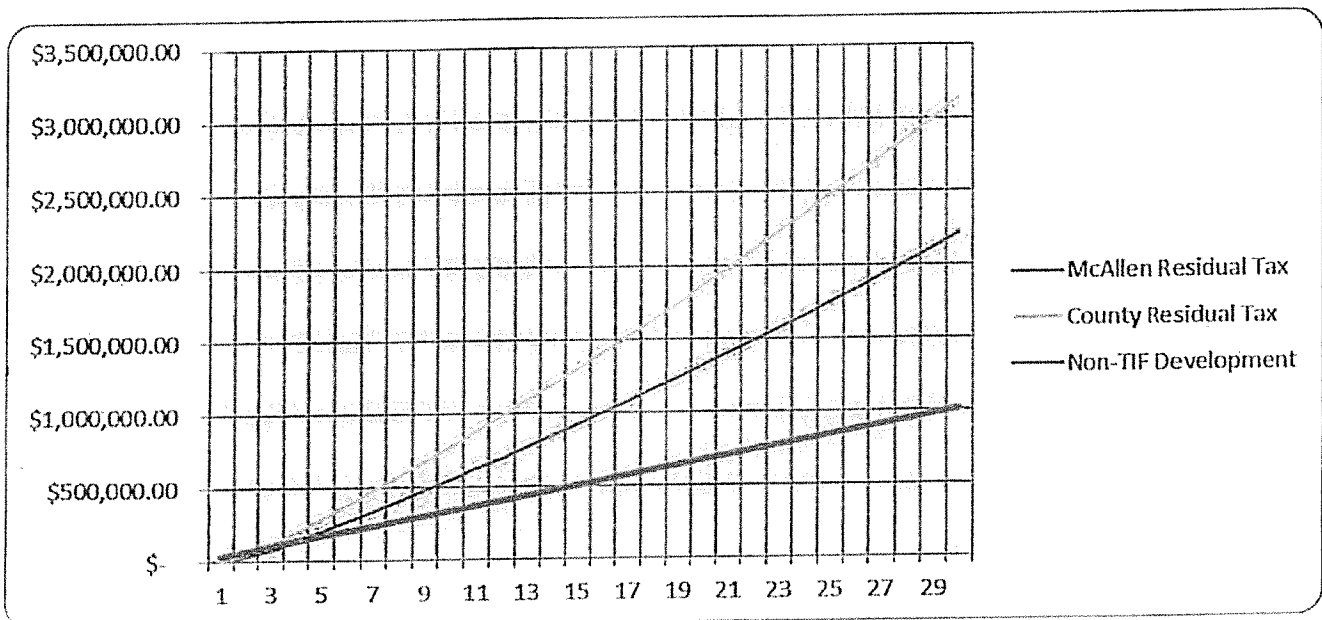
[Charts on Following Page]

*¹ \$2,569,780,976 in vertical improvements plus \$232,396,315 in infrastructure over the term of the Project.

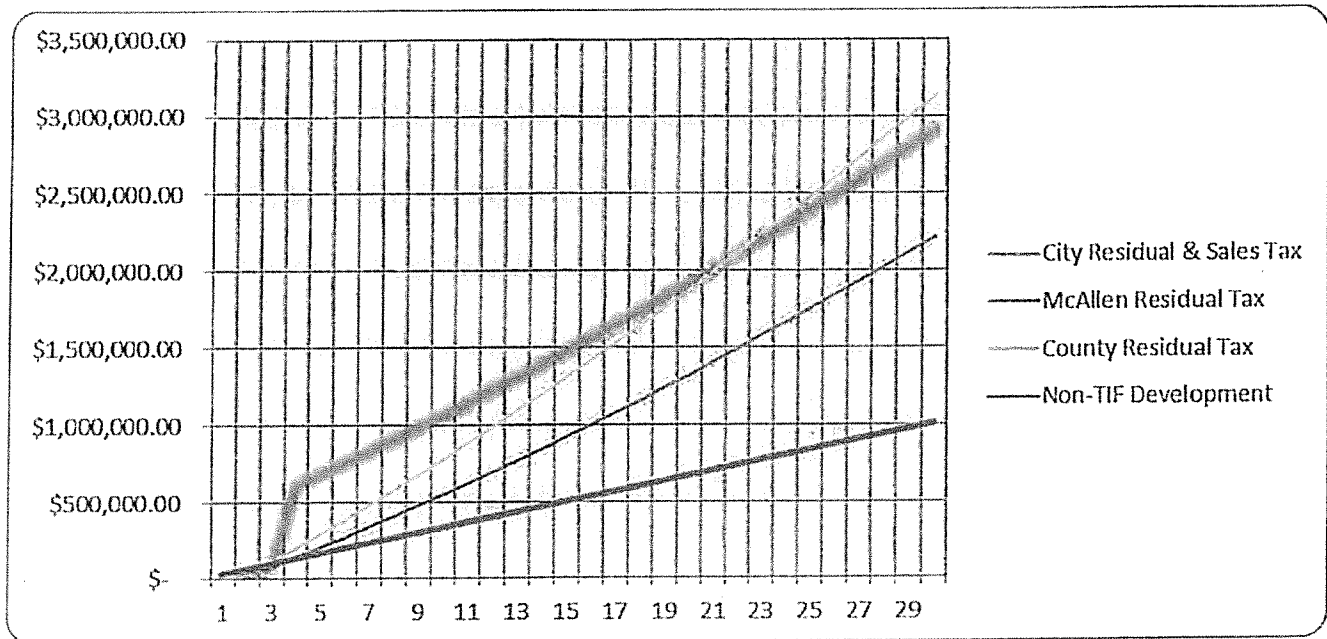
TIRZ ASSESSED VALUE (AV) OVER PROJECT LIFE



INCOME COMPARISON BETWEEN EXISTING DEVELOPMENT METHOD AND "NEW TIRZ METHOD"



INCOME COMPARISON BETWEEN EXISTING DEVELOPMENT METHOD AND "NEW TIRZ METHOD" continued



PROJECT PLAN

The Reinvestment Zone Number One, City of McAllen, Texas Project and Finance Plan provide a long-term method to increase economic vitality, tax base, and population within the Zone.

The economics of attracting market rate housing, new businesses, retail establishments, commercial uses and new employment opportunities will be greatly enhanced utilizing the TIRZ to finance public infrastructure improvements and economic development initiatives.

The following specific objectives set the framework for the planned public improvements within the Zone:

- Complete infrastructure to support +/-2,571 acres of mixed use development with an estimated developed tax base value of over \$2,500,000,000.00.
- Fund reimbursement of construction of primary public streets and public utility work to create access for future planned high technology and secure mixed use developments.
- Provide attractive, safe pedestrian environments through landscaping, lighting and construction of public walkways in the single-family areas and open space areas of the development.
- Construct wastewater collection, recycled water mains and storage and reuse facilities to enhance and encourage environmentally sensitive and water conscious regional development.

- Make utilities (sewer, water, recycled water, cable, and fiber optic) available to adjoining properties in the City and County for future growth.
- Relieve the City and County of some of the maintenance costs of the community by establishing a PID, which will also establish a model community that incorporates availability of gigabit speed internet access to every home and business in the community; community high-speed Wi-Fi access; community security, data, video and surveillance services; interconnected linear hike and bike and park systems, and unique subdivision designs to create a secure and sustainable living and working environment.
- Create, and prove the feasibility of a new model of 'smart growth' development for the City and County which is socially and financially sustainable, environmentally sensitive, and which conserves water and has a lower carbon footprint.

Planned Private Development and Investment

The total private development investment stimulated by creation of the Zone is forecasted to be \$2,569,780,976.14 in the form of vertical construction of homes, apartments, office buildings, retail buildings and commercial uses.

Public Infrastructure Improvements

The Public Infrastructure Improvements (hereinafter may be referred to as "Public Improvements") which will be completed pursuant to the Project and Finance Plan are detailed in **Exhibits 4 through 9** of this Project and Finance Plan, and the amount of public investment for reimbursement of the Public Improvements totals \$258,540,901.00. If the interest cap is reached no additional interest payments may be made.

Public Infrastructure Improvements and Related Eligible Expenses

The Public Infrastructure Improvements to be constructed and financed pursuant to the Project and Finance Plan and related capital costs include, but are not limited to, reimbursements associated with the following internal and external project costs for infrastructure to be constructed and dedicated to a Public Entity: Mile 9 Russell Rd. improvements, Shary & Bryan Road improvements, Glasscock/Stewart/Mayberry Road improvements, public parks, together with all site work, internal streets and drainage, onsite and offsite water and sewer and recycled water infrastructure, sidewalks, fiber optic dedicated to the City, PID, or other Public Entity, communication, Wi-Fi and surveillance infrastructure dedicated to the PID, as well as all other related infrastructure, soft project costs, and costs of creation as shown **Exhibit 5 and Exhibit 9**. The capital cost is estimated to be \$232,396,315.00 of the full eligible build-out amount plus interest on such amount until reimbursed.

[Remainder of Page Intentionally Left Blank-Project Plan and Finance Plan Continue on Next Page]

Existing and Proposed Uses

The existing uses in the area in which the Zone is located consist of open undeveloped or underdeveloped land and farming operations.

The proposed uses in the Zone are those uses set forth in **Exhibit 2** which have been master-planned and organized in phases to provide the maximum value enhancement and benefits to the Zone, the City and the surrounding community.

Description of Zone

The Zone will be located in the northwest sector of the City of McAllen ETJ. The exact location and legal description of the Zone are identified in the survey and field notes attached as **Exhibit 1**.

Project Feasibility

The feasibility of the Project has been analyzed by an independent economist and the Developer. The results of this analysis establish that the Project is both economically feasible and is within market absorption capabilities. According to national employment creation statistics by type and square footage of development, it is estimated that the Project could create in excess of 8,000 new jobs, and over \$200,000,000.00 in annual payroll within the McAllen area, which will provide tremendous benefits to the municipality in the form of increased economic stimulus, ad valorem, and sales tax revenues.

Based on the above economic factors, creation of the Zone and approval of the Project and Finance Plan is in the best interest of the City and is in furtherance of its municipal and governmental purposes.

FINANCE PLAN

Tax Increment Financing

The Tax Increment Financing Act (Chapter 311 of the Tax Code), provides for counties and cities to create "reinvestment zones" within which various public works and improvements can be undertaken, using tax increment revenues, bonds or notes, to pay for those improvements. The Act also allows the Zone to participate in the funding of improvements outside the Zone if the improvements benefit the Zone. At the time an area is designated a reinvestment zone for tax increment financing, the existing total of appraised value of real property in the zone is identified and designated as the Tax Increment Base. The Zone will not receive any sales tax revenue collected by the City of County.

Public improvements are made in the area to attract private development that would not otherwise occur. As the costs of new development are added to the tax rolls, property values will rise, and there will be an increase in sales tax revenue as well. This rise in new ad valorem value is called the "captured appraised value." The taxes that are collected by the participating taxing jurisdictions on the increment between the frozen value and the new higher value, or the Tax Increment, are then deposited into a TIF Fund, which is used to reimburse or pay for the approved improvements. Once the public improvements are completed and reimbursed, the TIF and Zone are dissolved and any remaining amounts of taxes collected are kept by the taxing jurisdiction. In addition the TIF will be dissolved if the Developer is in Default and does not cure the Default, or if the reimbursements for Public Infrastructure Improvements are paid earlier than

anticipated. In effect, the taxing jurisdictions are “investing” future earnings to receive the benefit of higher tax revenues from new development. Taxing jurisdictions are not restricted from reassessing property value or changing their tax rate as allowed by State law during the life of the Zone.

Financing Plan Overview

The Tax Increment Base is \$1,064,613.00 (hereinafter also referred to “Base Value”). The City has agreed to participate in the ZONE by contributing to the Tax Increment Fund an amount equal to 80% of the revenue generated from the CITY M&O Tax Rate as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE. In no event shall the CITY contribution to the Tax Increment Fund be greater than \$120,990,149.00 over the life of the ZONE beginning with the 2014 tax year. The County has indicated that it will participate in the ZONE by contributing to the Tax Increment Fund an amount equal to 77% of the revenue generated from the COUNTY M&O Tax Rate (as defined in the Interlocal Agreement) as assessed and collected on the Captured Appraised Value for each respective tax year during the term of the ZONE. In no event shall the COUNTY contribution to the Tax Increment Fund be greater than \$143,318,484.00 over the life of the ZONE beginning with the 2014 tax year.

The Zone provides funding for approximately +/- \$258,940,901.00 of planned Public Infrastructure Improvements which are eligible for reimbursement, including interest, and Administrative Costs paid to the City and County for administering the Zone. In addition, this Project and Finance Plan authorizes reimbursement of the Pre-TIRZ Administrative Costs to the City in an amount not to exceed \$70,000.00, with said amount to be paid from the contingency or surplus funds as shown on the Sources & Uses Table set forth on **Exhibit 5**. The Finance Plan indicates that the Zone will yield adequate revenues to provide for incremental financing of the Project as indicated in **Exhibits 4 through 9**. The total projected revenue of the Zone is \$264,308,634.00.

Financing Method: Initial financing is being accomplished through equity invested by the Developer through private investments and conventional land development bank loans, the issuance of Tax Increment Bonds (hereinafter also referred to as “Bonds”) when available, as well as other funding sources. No taxing jurisdiction is guaranteeing the repayment of these loans; they remain the obligation of the Developer. In the event Bonds are issued they will not become obligations of the City or County. When Bonds are issued by the City, only the pledged Available Tax Increment can be looked to for repayment of those obligations. Other Public Infrastructure Improvements included in the Project and Finance Plan will be funded through similar financing sources and reimbursed to the Developer, as Available Tax Increment is available. Bonds are projected to be issued for the Project with the assistance of the City upon the completion of 900 homes which are built and assessed in the Project. If Bonds are issued, the Available Tax Increment from the Zone will serve as the only repayment source for the Bonds.

Priority of Payment: The City and the Board shall disburse funds from the Tax Increment Fund (or Bond revenues) to pay expenditures in the following order or priority of payment:

1. FIRST, to reimburse the City for reasonable Pre-TIRZ Administrative Costs approved by the Zone;
2. SECOND, payment of Administrative Costs to the City and County pursuant to the Interlocal Agreement;

3. THIRD, to reimburse the City for the City Project Costs, plus interest, as provided in the Project and Finance Plan, for the City Public Improvements;
4. FOURTH, to pay the debt service on any Tax Increment Bonds issued by the Zone/City which are due and payable in whole or in part from the Available Tax Increment provided they are used to pay costs as set forth in the Project and Finance Plan;
5. FIFTH, to reimburse Developer or City for Project Costs, plus Interest, as provided for in the Project and Finance Plan incurred by the City or Developer, for Public Infrastructure Improvements constructed by either on a first in, first out basis; and
6. SIXTH, to reimburse or pay the cost of any project or improvement that was not included in the original Project and Finance Plan, but was later added as a subsequent project with approval of the ZONE and the CITY.

The foregoing, notwithstanding, no funds will be paid from the Tax Increment Fund to the City or County for its financial and legal services in any dispute arising under the Development Agreement with another participating taxing entity.

Capital Costs: The total capital costs to be incurred for Public Infrastructure Improvements total \$232,396,315.00. The Developer's portion of this amount is estimated to be \$230,696,315.00, the City's portion of this amount, the City Public Improvements, to be incurred for off-site improvements (extension of fiber optic strands and conduits to the Zone, extension of sewer mains to the Zone, the extension of recycled water trunk mains to the Zone, and the construction of a new fire station to serve the Zone and other areas) are estimated to be \$4,050,000.00. The City and County have negotiated a maximum reimbursement to the Developer. It is projected that neither the City nor the Developer will receive any payments until fiscal year 2016. The earliest projected payoff of the capital cost would occur in fiscal year 2044 and includes an estimated reimbursement of the Developer contribution of \$230,696,315.00 out of the Project Costs totaling \$258,540,901.00.

TIRZ Collections: The TIRZ collections for this project shall not extend beyond December 31, 2045 and may be terminated earlier once each taxing entity has deposited its respective maximum dollar contribution amount described in the table below. Some taxing entities may reach their maximum dollar contribution prior to others and/or prior to the end of the TIRZ; the term of the TIRZ will continue through December 31, 2045 or will terminate once all taxing entities have deposited their maximum dollar contribution, and all obligations of the Zone have been satisfied pursuant to Section 311.017 of the Texas Tax Code.

TABLE-Maximum TIRZ Contribution		
Participating Taxing Entities	Maximum Dollar Contribution	Maximum Length of Contribution
City of McAllen, Texas	\$120,990,149.00	December 31, 2045
Hidalgo County	\$143,318,484.00	December 31, 2045
Maximum Contribution Amount	\$264,308,634.00	

Developer's Risk: All financing, development costs, construction costs, improvements, damages, or other costs incurred by the Developer with respect to this project are at the sole risk of the Developer. Neither the City nor County shall incur any risk of loss whatsoever associated with the development, construction, completion, or failure of the Project, if such loss is due to Developer. In the event that the Project fails, is abandoned by the Developer, or for any reason is not completed, the City shall have the right to terminate the TIRZ and any funds remaining in the TIRZ account after payment of approved reimbursements shall be distributed to the City and County on a pro-rata basis in accordance with each entity's participation level.

Limited Obligation of the City and County: Except for the financial obligation of the City to construct the City Public Improvements the City and County obligations shall be limited to the City imposing and collecting taxes and the County imposing taxes, and both the City and the County depositing such tax receipts into the Tax Increment Fund during the term of the TIRZ for so long as the Project is viable, the Developer is not in Default, and eligible project costs and capital costs (and interest thereon) incurred by the Developer have not been fully paid. The TIRZ collections for this Project shall not extend beyond 30 years or past the collection of taxes assessed for the year 2044 (and collected in 2045), and may be terminated prior to December 31, 2044 upon payment of the total amount of reimbursement for Project Costs to the Developer as provided in the Development Agreement, or for Default by the Developer as set forth in the Development Agreement, or as allowed by Section 311.017 of the Texas Tax Code.

Any costs incurred by the Developer are not, and shall not in any event become, general obligations or debt of the City or County. The Project Costs incurred by the Developer shall be paid solely by the TIRZ revenues contributed to the Zone and shall never constitute a debt, indebtedness, or a pledge of the faith and credit or taxing power of the State, the City, County, or any political corporation, subdivision, or agency of the State of Texas, other than the TIRZ, which is funded solely by the pledged Tax Increment of the City and County.

Financing Policy: This Project and Finance Plan limits the amount of City and County Available Tax Increment (80% of the CITY M&O Tax Rate and 77% of the County M&O Tax Rate) paid to finance repayment of the City and Developer expenditures for reimbursable public improvements.

Short Term Financing: The short term financing for the Project will be paid through initial capital investment and conventional development loans provided by the Developer for Public Infrastructure Improvements installed by the Developer. The City will fund the initial cost of the City Public Improvements (\$4,050,000.00) through advancing City budgeted funds. The Project costs advanced by the Developer and City for construction of their respective public improvements will be reimbursed according to the approved priority of payment as TIF Funds become available in the balance of the Tax Increment Fund.

Long Term Financing/Bonds: To minimize the cost of interest incurred by the Project, the Zone will recommend the issuance of, and the City will issue (contingent upon City Commission approval), Tax Increment Bonds when 900 homes have been completed within the Zone and are being assessed ad valorem taxes. It is projected that the Tax Increment Bonds will be issued in the fourth year of the Project and Finance Plan (2018). The amount of the issuance will be the maximum amount as is reasonably and prudently determined by the City and its financial advisers that can be debt-serviced and underwritten at reasonably acceptable interest rates at the time of issuance based upon the amount of the pledged tax

increment that is being generated within the Zone according to the City's debt issuance policies and State of Texas public finance requirements.

Financial Assumptions

The Finance Plan is based upon conservative assumptions. Accordingly, the Finance Plan assumes that there will be no tax rate changes during the project term, and assumes an increase in assessed values of existing tax base of only 1.015% per year rather than the actual average appreciation rate which is historically in excess of 3% per year.

The Finance Plan also assumes that the taxing entities will continue to collect tax revenues at the same rate and that homestead and other exemption rates will remain unchanged. Build-out rates of tax base within the Finance Plan are based on conservative rates of absorption established from historical market data collected from the Rio Grande Valley demographics.

Financial Feasibility

Based on the private development plans, public improvement program, budgets and general financing strategy, financial assumptions, and the feasibility study prepared by H.E. Skip Preble, MAI, CCIM, of Boerne, Texas, and as required by Section 311.011(c)(3) of the Texas Tax Code, the City of McAllen City Commission finds that the Finance and Project Plan is economically feasible.

Financial and Governance Policies

Pursuant to Chapter 311 of the Texas Tax Code, the Zone will be governed by a nine-member Board of Directors appointed by the City Commission, the Board of Directors of the ZONE (hereinafter also referred to as the "TIRZ Board"). The TIRZ Board members shall include: a City designee, a County designee, and five other initial members all of whom must be the owners of real property within the Zone, or an agent or employee of an owner of real property in the Zone; the other two board members shall be the State Senator and State Representative representing the districts in which the Zone is located. The chairperson of the TIRZ Board will be designated by the City Commission.

The TIRZ Board will operate pursuant to Robert's Rules of Order and will adopt rules governing the management of the TIRZ. These rules are designed to ensure conformity with all Texas Tax Code rules and regulations, including but not limited to the requirement that all Public Infrastructure Improvements are publically bid and that all meetings are held in compliance with the Texas Open Meetings Act. The TIRZ Board may make non-Material Changes within the Project and Finance Plan, provided that said changes do not violate the competitive bidding requirements for public infrastructure improvements as required by Texas law. Additional guidelines and requirements for carrying out the Project and additional rights and obligations of the City, County, and Developer are contained in the City ordinances creating the Zone, approving the Finance Plan and Project Plan, as well as in the Development Agreement and the Interlocal Agreement related to the Project.

Compliance: The Developer shall comply with all applicable federal, state and local laws, rules and regulations, including all those relating to the construction of public improvements.

Reporting: The Developer shall submit a project status report and financial report on a semi-annual basis to the City.

Inspection: The Developer shall allow the City, County and/or the Board of Directors for the ZONE reasonable access to the Project site or sites for inspections during and upon completion of construction upon reasonable notice.

The TIRZ Board may from time-to-time recommend amendments to these financial policies to the City which, if adopted by the City, may affect the operation of the Zone.

Conclusions

Based upon a set of conservative assumptions and an analysis of the Zone Project and Finance Plan, the TIRZ Board and the Commission of the City of McAllen has concluded that the TIRZ Project and Finance Plan is economically feasible in compliance with Chapter 311 of the Texas Tax Code.

The success of the Project within the Zone will encourage other large planned mixed-use developments with higher values. The new residential population base: will support an expanding retail base, will supplement the existing job market by adding over 8,000 new jobs, and will attract additional private development into the Zone and surrounding area. In addition, the Zone will serve to stabilize and enhance future property values in the City of McAllen and Hidalgo County, and will serve the municipal and governmental purpose of protecting the public safety and welfare.

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APPENDIX & EXHIBITS

TIRZ REQUIREMENTS

Section 311 of the Texas Tax Code (Tax Increment Financing Act) specifies that TIRZ Project and Finance Plans meet certain requirements. These requirements are listed below, along with a reference indicating where these elements can be located in the Project and Finance Plan. All of the exhibits identified below in this Appendix are incorporated into the Project and Finance Plan of the Zone as if fully set forth herein, and are made a part hereof for all purposes:

Project Plan

- | | |
|--|---------------------------------------|
| 1. Survey and Field Notes of Property | Exhibit 1 |
| 2. Map of proposed improvements and uses-
Tres Lagos Master Plan | Exhibit 2A |
| Map of existing uses and conditions | Exhibit 2B |
| 3. Proposed changes of zoning ordinances, waivers and
exceptions to subdivision rules and regulations | Exhibit 3 |
| 4. Estimated non-project costs | None claimed |
| 5. Relocation plan for current residents | Not Applicable (no current residents) |

Finance Plan

- | | |
|---|------------------------------|
| 1. Summary | Exhibit 4 |
| 2. Detailed estimate of Project Costs including
Administrative Costs | Exhibit 5 & Exhibit 7 |
| 3. Proposed Public Improvements (location, kind, number) | Exhibit 5 & Exhibit 9 |
| 4. Finding that Plan is economically feasible/economic
feasibility study | Pages 8 & 12 |
| 4. Project timeline | Exhibit 4 & Exhibit 8 |
| 5. Estimated amount of bonded indebtedness | Exhibit 6 & Page 12 |
| 6. Time when costs/obligations will be incurred | Exhibit 5 & Pages 11 & 12 |
| 7. Methods of financing, sources of revenue | Exhibit 6 & Pages 9, 11 & 12 |
| 8. Current total appraised value | Exhibit 4 |
| 9. Estimated captured appraised value | Exhibit 6 & Exhibit 7 |
| 10. Duration of Zone | Exhibit 4 |

Exhibit 1
Field Notes of Property & Survey

Revised: September 18, 2014
Revised February 25, 2020
Revised January 03, 2020
June 05, 1999

**METES AND BOUND DESCRIPTION
2561.402 ACRES OF LAND OUT OF
SECTIONS 223, 224, 227, 230, 232
TEXAS-MEXICAN RAILWAY CO. SURVEY
AND OUT OF LOT 54-7
WEST ADDITION TO SHARYLAND SUBDIVISION
HIDALGO COUNTY, TEXAS**

A tract of land containing 2561.402 acres situated in the County of Hidalgo, Texas, being 2571.402 acres comprised of 1.) 18.865 acres being a part or portion of LOT 54-7, OUT OF THE AMENDED MAP OF LOTS 54-6, 54-6, 55-6, 56-6, 57-6, 58-6, 59-6, 62-7, 54-7, 55-7, 56-7, 57-7, 58-7, 59-7, 53-8 & 53-9, WEST ADDITION TO SHARYLAND SUBDIVISION, according to the plat thereof recorded in Volume 8, Page 42, Hidalgo County Map Records; 2.) ALL OF SECTION 223, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 8, Page 59, Hidalgo County Map Records; 3.) ALL OF SECTION 224, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the plat thereof recorded in Volume 411, Page 149-150, Hidalgo County Deed Records; 4.) a part or portion of SECTION 227, TEXAS-MEXICAN RAILWAY CO. SURVEY; 5.) a part or portion of SECTION 230, TEXAS-MEXICAN RAILWAY CO. SURVEY; 6.) a part or portion of SECTION 232, TEXAS-MEXICAN RAILWAY CO. SURVEY according to the patent issued by the State of Texas, to W. S. Daugherty recorded in Volume 4, Page 142-143, Hidalgo County Deed Records, SAVE AND EXCEPT 10.00 acres conveyed to Hidalgo County Irrigation District No. 7 by virtue of a Warranty Deed recorded in Volume 622, Page 938, Hidalgo County Deed Records, said 2571.402 acres also being more particularly described as follows:

BEGINNING at an iron rod found for the Northeast corner of this tract, said iron rod bears N 80° 46' 37" W a distance of 69.15 feet, and S 88° 13' 25" W a distance of 40.00 feet from the Northeast corner of said Section 232;

1. THENCE, S 33° 50' 29" E along the West right-of-way line of Ware Road (F. M. 2220) as dedicated by Volume 10, Page 42, Volume 1682, Page 81, and Volume 1973, Page 92, Hidalgo County Deed Records, a distance of 25.53 feet to an iron rod set for an outside corner of this tract;
2. THENCE, S 05° 36' 44" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 4933.58 feet to an iron rod found for an angle point;
3. THENCE, S 11° 28' 22" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 200.19 feet to an iron rod found for an angle point;
4. THENCE, S 11° 02' 00" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 22.24 feet to an iron rod found for an angle point;
5. THENCE, S 55° 13' 19" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 33.07 feet to an iron rod found for an inside corner of this tract;
6. THENCE, S 68° 36' 44" W along the West right-of-way line of said Ware Road (F. M. 2220), at a distance of 9.81 feet pass the North right-of-way line of Mile 9 Road, and continuing a total distance of 29.81 feet to the Northeast-Southeast corner of this tract;
7. THENCE, N 88° 23' 20" W along the South line of said Section 232, the North line of Lots 55-68, Section 229, Tex-Mex as per plat thereof recorded in Volume 12, Page 85, Hidalgo County Map Records, and within Mile 9 Road right-of-way, a distance of 5175.14 feet to an iron pipe found for the Southwest corner of said Section 232, and the Northeast corner of Section 230 for an inside corner of this tract;

8. THENCE, S 09°05' 05" W along the East line of said Section 230, and the West line of Section 220, as per said plat thereof recorded in Volume 12, Page 55, Hidalgo County Map Records, at a distance of 3519.95 feet pass an iron pipe found in line, and now continuing along the West line of Section 220, Tex-Mex, as per plat thereof recorded in Volume 12, Page 22, Hidalgo County Map Records, and continuing a total distance of 3296.00 to an outside corner of this tract;
9. THENCE, N 05° 05' 32" W a distance of 251.62 feet (250.00 feet) to an iron rod set for an inside corner of this tract;
10. THENCE, S 05° 44' 55" W, at a distance of 29.00 pass an iron pipe found in line, and continuing a total distance of 350.00 feet to an iron pipe found for an outside corner of this tract;
11. THENCE, N 60° 55' 28" W a distance of 2503.35 feet (2503.2 feet) to an iron pipe found for an inside corner of this tract.
12. THENCE, S 05° 02' 13" W at a distance of 1611.44 feet pass the North right-of-way line of Mile 8 Road, and continuing a total distance of 1631.44 feet to the Southeast corner of this tract;
13. THENCE, N 50° 43' 07" W along the South line of said Section 230, and within said Mile 8 Road right-of-way, a distance of 627.20 feet to an iron rod found for the centerline of Glasscock Road, and for an angle point of this tract;
14. THENCE, N 50° 47' 57" W along the South line of said Section 230, said Section 223, and within said Mile 8 Road right-of-way, a distance of 2644.96 feet to a concrete monument found for the centerline of Stewart Road, and for an angle point of this tract;
15. THENCE, N 04° 10' 51" W along the South line of said Section 223, and within said Mile 8 Road right-of-way, at a distance of 2555.21 feet pass an iron rod found in line and for the center line of Bryan Road, and continuing a total distance of 4184.66 feet to the Southwest corner of said Section 223, and for the Southeastmost Southwest corner of this tract;
16. THENCE, N 08° 55' 01" E along the West line of said Section 223, a distance of 1854.21 feet to an iron rod set for an inside corner of this tract;
17. THENCE, N 81° 02' 31" W along the South line of said Section 223, and said Section 224, at a distance of 1167.82 feet pass an iron rod found in line, at a distance of 2462.04 feet pass an iron rod found in line, and continuing a total distance of 2915.12 feet to an iron pipe found for the Southwest corner of said Section 224 and to a point on the East line of said Lot 54-7, for an inside corner of this tract;
18. THENCE, S 68°59' 01" W along the East line of said Lot 54-7, a distance of 110.00 feet to the Southeast corner of said Lot 54-7, for an outside corner of this tract;
19. THENCE, N 61° 17' 16" W along the South line of said Lot 54-7, at a distance of 751.50 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2992 (Cantu Road), continuing a total distance of 791.50 feet to the Southwest corner of said Lot 54-7, for the Northeastmost Southwest corner of this tract;
20. THENCE, N 68°42'44" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2993 (Cantu Road), a distance of 250.00 feet to an outside corner of this tract;
21. THENCE, S 87°17' 15" E at a distance of 30.00 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2993 (Cantu Road), continuing along the South line of The Frase Subdivision (Vol.25, Pg.134-A H.C.M.R.), for a total distance of 205.00 feet to a No.4 rebar set at the Southeast corner of said The Frase Subdivision, for an inside corner of this tract;
22. THENCE, N 00°42' 48" E along the East line of said The Frase Subdivision, a distance of 125.00 feet to a No.4 rebar set at the Northeast corner of said The Frase Subdivision, for an inside corner of this tract;

39. THENCE, along said curve to the left and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of $63^{\circ} 03' 52''$, a radius of 5800.83 feet, an arc length of 307.78 feet, a tangent of 153.92 feet, and a chord that bears S $82^{\circ} 13' 44''$ E a distance of 307.74 feet to an iron rod set;
40. THENCE, S $83^{\circ} 41' 09''$ E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 400.58 feet to an iron rod set for a curve to the right;
41. THENCE, along said curve to the right and the South right-of-way line of said Monte Cristo Road (F. M. 1925), with a central angle of $82^{\circ} 54' 23''$, a radius of 5836.71 feet, an arc length of 288.62 feet, a tangent of 149.34 feet, and a chord that bears S $82^{\circ} 13' 49''$ E a distance of 288.59 feet to an iron rod set;
42. THENCE, S $89^{\circ} 46' 37''$ E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 3858.37 feet to the POINT OF BEGINNING, and containing 2371.402 acres, SAVE AND EXCEPT the above mentioned 16.00 acres conveyed to Hidalgo County Irrigation District No. 2, leaving 2,355.402 acres of land, more or less.

I, FRED L. KURTH, REGISTERED PROFESSIONAL LAND SURVEYOR DO HEREBY AFFIRM THAT THIS METES AND BOUNDS DESCRIPTION REPRESENTS THE RESULTS OF A SURVEY MADE ON THE GROUND ON 04/15/06 & 02/06/04 UNDER MY DIRECTION AND SUPERVISION.

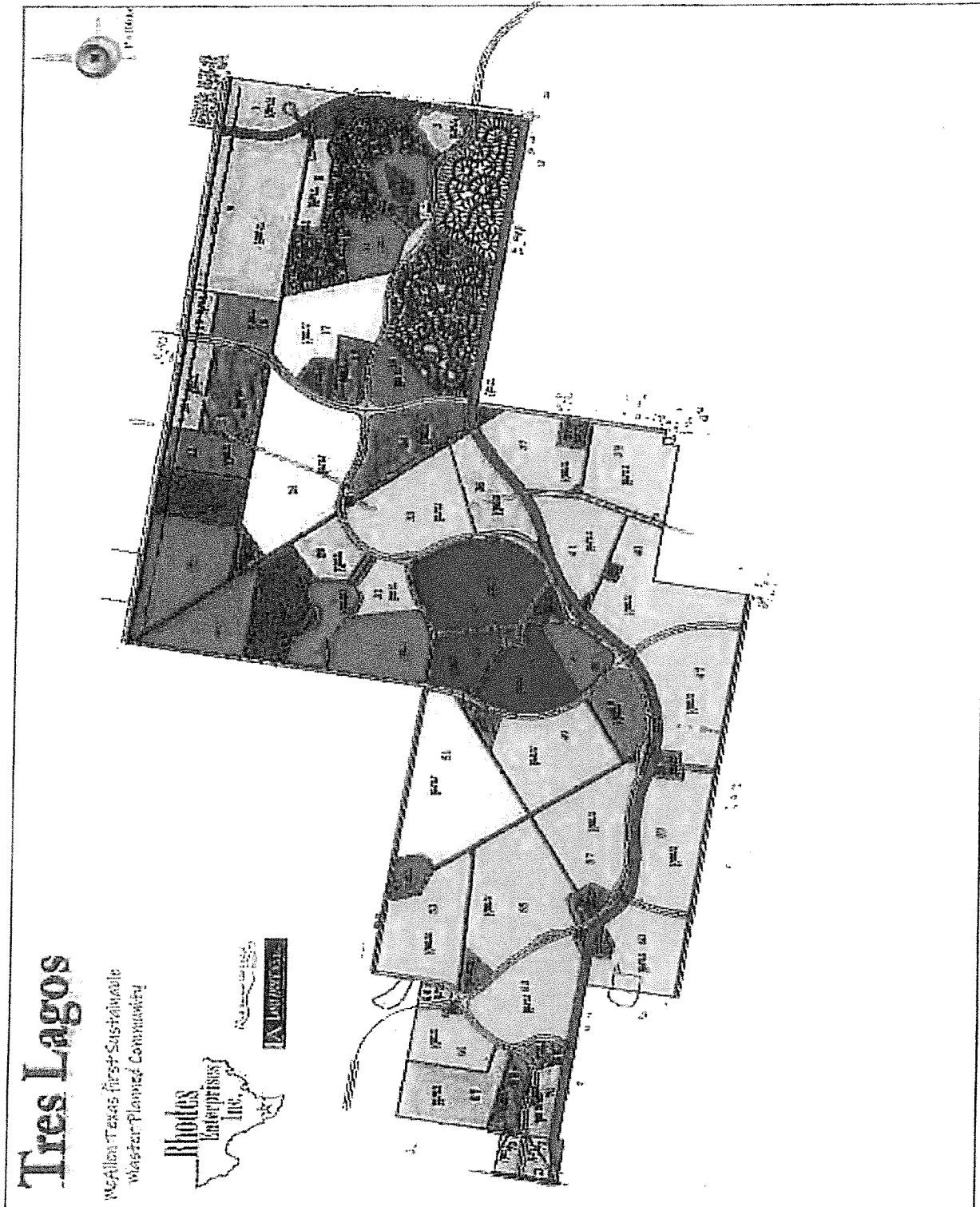

FRED L. KURTH, R.P.L.S. #4750

9-17-14
DATE:





Exhibit 2
A. Map of Proposed Improvements and Uses



B. Map of Existing Uses and Conditions



Exhibit 3

A. Waivers and Exceptions to the City of McAllen Platting Regulations

The following specific waivers and exceptions will be required for the Project.

1. The requirement that two access points must be provided into any subdivision with over 20 lots shall not apply to this Project. Emergency access walks/drives shall be recognized as secondary access points for emergency service vehicles.
2. The requirement that the maximum street length ending in a cul-de-sac shall be 600 feet will not apply to this Project provided the unit of development enjoying the variance is designed and platted using the 'coving method' and there are emergency access walks/drives serving the unit of development.
3. The requirements pertaining to sidewalks contained in the City's Development Code will not apply to this Project provided a sidewalk having a width of at least adequate for pedestrian and bike traffic is provided in a plan that is sealed by the registered engineer designing the unit of development.
4. The requirements pertaining to side yard set-backs from property line will be five (5) feet rather than six (6) feet as required by the City Development Code.
5. The requirements pertaining to front yard set-backs for R-1 zoning will be 20 feet rather than the 25 feet as required by the City Development Code.
6. There will be no park fee collected because the parkland dedication will exceed the CITY's requirements as of 10/30/2014.

B. Current and Future Land Use/Zoning

Tract	Acreage	Current Land Use	Zoning District
1	28.7499 acres	Open Space-Agricultural	C-4- Commercial Industrial
2	15.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
3	11.5000 acres	Open Space-Agricultural	C-4- Commercial Industrial
4	55.000 acres	Open Space-Agricultural	R-1- Single Family Residential
5	81.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
6	2.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
7	12.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
8	15.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
9	100.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
10	4.4665 acres	Open Space-Agricultural	R-1- Single Family Residential
11	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
12	5.4285 acres	Open Space-Agricultural	R-1- Single Family Residential
13	79.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
14	19.6183 acres	Open Space-Agricultural	C-4- Commercial Industrial
15	15.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
16	8.1425 acres	Open Space-Agricultural	C-4- Commercial Industrial
17	52.0000 acres	Open Space-Agricultural	R-1- Single Family Residential

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18	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
19	7.4507 acres	Open Space-Agricultural	C-4- Commercial Industrial
20	18.3713 acres	Open Space-Agricultural	C-4- Commercial Industrial
21	35.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
22	25.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
23	30.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
24	56.9548 acres	Open Space-Agricultural	C-4- Commercial Industrial
25	39.7438 acres	Open Space-Agricultural	C-4- Commercial Industrial
26	40.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
27	5.6970 acres	Open Space-Agricultural	R-1- Single Family Residential
28	99.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
29	21.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
30	29.1412 acres	Open Space-Agricultural	R-3A- Apartment Residential
31	43.7021 acres	Open Space-Agricultural	R-3A- Apartment Residential
32	18.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
33	60.5814 acres	Open Space-Agricultural	R-1- Single Family Residential
34	42.4782 acres	Open Space-Agricultural	C-4- Commercial Industrial
35	1.6301 acres	Open Space-Agricultural	C-4- Commercial Industrial
36	33.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
37	41.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
38	6.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
39	49.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
40	67.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
41	40.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
42	12.2107 acres	Open Space-Agricultural	R-1- Single Family Residential
43	68.6857 acres	Open Space-Agricultural	R-1- Single Family Residential
44	23.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
45	41.7396 acres	Open Space-Agricultural	C-4- Commercial Industrial
46	20.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
47	67.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
48	23.9745 acres	Open Space-Agricultural	R-3A- Apartment Residential
49	62.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
50	6.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
51	92.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
52	10.3235 acres	Open Space-Agricultural	R-1- Single Family Residential
53	57.3405 acres	Open Space-Agricultural	R-1- Single Family Residential
54	6.3298 acres	Open Space-Agricultural	C-4- Commercial Industrial
55	79.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
56	8.0321 acres	Open Space-Agricultural	R-1- Single Family Residential
57	57.5000 acres	Open Space-Agricultural	R-1- Single Family Residential
58	6.2000 acres	Open Space-Agricultural	R-1- Single Family Residential
59	57.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
60	46.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
61	3.1158 acres	Open Space-Agricultural	R-1- Single Family Residential
62	1.5466 acres	Open Space-Agricultural	R-1- Single Family Residential
63	59.0000 acres	Open Space-Agricultural	R-1- Single Family Residential
64	3.9616 acres	Open Space-Agricultural	C-4- Commercial Industrial
65	0.7792 acres	Open Space-Agricultural	C-4- Commercial Industrial
66	29.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
67	42.0000 acres	Open Space-Agricultural	R-3A- Apartment Residential
68	16.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
69	6.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
70	12.0000 acres	Open Space-Agricultural	C-4- Commercial Industrial
71	0.6336 acres	Open Space-Agricultural	C-4- Commercial Industrial

Project and Finance Plan

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72	6.9196 acres	Open Space-Agricultural	C-4- Commercial Industrial
73	5.9685 acres	Open Space-Agricultural	C-4- Commercial Industrial
74	72.2971 acres	Open Space-Agricultural	C-4- Commercial Industrial

[Remainder of Page Intentionally Left Blank-Project Plan and Finance Plan Continue on Next Page]

Exhibit 4

A. Summary Fact Sheet

Proposed Tres Lagos Tax Increment Finance Zone Estimated 30 Year Build out of Residential, Multi-Family, & Commercial Summary Fact Sheet February 20, 2015			
Site Area	2,571 +/- Acres		
2014 Base Value	\$1,064,613.00		
			Taxable Value
Residential Units (SF/MF) 2.5 du/acre	239 Acres	\$	289,261,974.70
3.5 du/acre	513 Acres	\$	646,356,673.82
4.5 du/acre	697 Acres	\$	575,364,753.07
Multifamily 10 du/acre	48 Acres	\$	58,642,983.99
Multifamily 15 du/acre	70 Acres	\$	90,841,924.27
Townhomes 8 du/acre	75 Acres	\$	110,833,324.31
Sales Center	4 Acres	\$	1,000,000.00
Commercial / Retail	192 Acres	\$	319,976,279.19
Commercial / Office	97 Acres	\$	267,955,187.64
University Campus/Flex	105 Acres	\$	209,547,875.14
School Site	80 Acres	\$	-
Church, Mosque, Synagogue	90 Acres	\$	-
Roadway	135 Acres	\$	-
Drainage	76 Acres	\$	-
Parks	121 Acres	\$	-
Totals	2,542 Acres	\$	2,569,780,976.14
Estimated Taxable Value Created	\$ 2,569,780,976		
McAllen TIF Assessed Rate	\$ 0.4313		
County TIF Assessed Rate	\$ 0.5308		
Tax Collection Rate	100.00%		
Est. Infrastructure Costs	\$ 258,940,901		
Est. Total Net TIF Revenues	\$ 264,308,634		
Excess (Shortage) TIF Revenues	\$ 5,367,733		
Est. TIF Life	30 Years		

The projections and estimates contained in this Finance and Project Plan are subject to and may be impacted by market & economic conditions both domestic & international. Actual completion & construction of the Project may take more or less time than described herein. However it is understood that the Developer will use its best efforts to complete the project as quickly as economically feasible. A growth rate of 1.015% per year has been used to establish value of future tax basis.

Project and Finance Plan

Tres Lagos

Overall Summary with Escalators Table (Continued)

	2028	2029	2030	2031	2032	2033	2034
Development Type/ by acre	14	15	16	17	18	19	20
Single Family 2.5 du/acre	9,607,204	9,751,312	9,897,582	10,046,046	10,196,736	10,349,688	10,504,933
Single Family 3.5 du/acre	21,467,324	21,789,334	22,116,174	22,447,917	22,784,636	23,126,405	23,473,301
Single Family 11.5 du/acre	19,109,483	19,396,125	19,687,067	19,982,373	20,282,103	20,586,340	20,895,135
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	7,372,336	7,482,921	7,595,164	7,709,092	7,824,728	7,942,099	8,061,231
Multifamily 80 du/acre	2,663,184	2,694,131	2,725,543	2,757,427	2,789,788	2,822,635	2,855,974
Multifamily 125 du/acre	-	6,873,901	-	6,977,009	-	7,081,664	-
Townhomes 8 du/acre	3,786,264	3,843,058	3,900,704	3,959,215	4,018,603	4,078,882	4,140,065
Retail & Commercial	11,257,439	11,426,301	11,597,696	11,771,661	11,948,236	12,127,459	12,309,371
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	-	-	250,000	-	-	-	-
Office Use	9,427,228	9,568,636	9,712,166	9,857,848	10,005,716	10,155,802	10,308,139
Major Drainage way	-	-	-	-	-	-	-
Added Value	84,090,462	92,225,720	86,887,097	94,908,587	89,250,552	97,670,974	91,948,150
Projected Construction Costs	7,604,661	8,340,367	7,857,121	8,582,991	8,071,310	8,832,805	8,315,266
Net Present Value (NPV) - 10% Discount Rate	8,589,457	10,221,872	11,440,441	13,320,121	15,134,271	16,999,771	18,920,341
Net Present Value (NPV) - 10% Discount Rate	8,589,457	10,221,872	11,440,441	13,320,121	15,134,271	16,999,771	18,920,341

	2035	2036	2037	2038	2039	2040	2041
Development Type/ by acre	21	22	23	24	25	26	27
Single Family 2.5 du/acre	10,662,507	10,822,444	10,984,781	11,149,553	11,316,796	11,486,548	11,658,846
Single Family 3.5 du/acre	23,825,401	24,182,782	24,543,523	24,913,706	25,287,412	25,666,723	26,051,724
Single Family 11.5 du/acre	21,208,562	21,526,691	21,849,591	22,177,335	22,509,995	22,847,645	23,190,360
School Site	-	-	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-	-	-
Technology Park/Campus	8,182,149	8,304,831	8,429,455	8,555,896	8,684,235	8,814,498	8,946,716
Multifamily 80 du/acre	2,289,814	2,324,161	2,359,024	2,394,409	2,430,325	2,466,780	2,503,782
Multifamily 125 du/acre	7,187,889	-	7,295,703	-	7,405,143	-	7,516,220
Townhomes 8 du/acre	4,202,166	4,265,199	4,329,177	4,394,114	4,460,026	4,526,937	4,594,830
Retail & Commercial	12,494,012	12,681,422	12,871,643	13,064,718	13,260,689	13,459,599	13,661,493
Perimeter ROW	-	-	-	-	-	-	-
Interior ROW	-	-	-	-	-	-	-
Drainage way & Park	-	-	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-	-	-
Park with Main Trail	-	-	-	-	-	-	-
Sales Center	-	-	-	-	-	-	-
Office Use	10,462,761	10,619,702	10,778,993	10,940,683	11,104,793	11,271,365	11,440,435
Major Drainage way	-	-	-	-	-	-	-
Added Value	100,515,261	94,727,282	103,443,899	97,590,415	105,459,414	100,540,085	109,564,406
Projected Construction Costs	9,090,026	8,566,594	9,354,875	8,825,520	9,627,581	9,092,271	9,906,379
Net Present Value (NPV) - 10% Discount Rate	14,669,452	15,566,298	16,529,170	17,556,188	18,647,176	19,802,028	21,021,812
Net Present Value (NPV) - 10% Discount Rate	14,669,452	15,566,298	16,529,170	17,556,188	18,647,176	19,802,028	21,021,812

Overall Summary with Escalators Table (Continued)

	2042	2043	2044		TOTALS
Development Type/ by acre	28	29	30		
Single Family 2.5 du/acre	11,833,729	12,011,235	12,191,403	289,261,975	289,261,975
Single Family 3.5 du/acre	26,442,500	26,839,137	27,241,724	646,356,674	646,356,674
Single Family 4.5 du/acre	23,538,215	23,891,288	24,249,657	575,364,753	575,364,753
School Site	-	-	-	-	-
Church, Mosque, Synagogue	-	-	-	-	-
Technology Park/Campus	9,080,917	9,217,130	9,355,387	209,547,875	209,547,875
Multifamily 80 du/acre	2,541,338	2,579,458	2,618,150	58,642,984	58,642,984
Multifamily 85 du/acre	-	7,628,964	-	90,841,924	90,841,924
Townhomes 8 du/acre	4,663,753	4,733,709	4,804,715	110,833,324	110,833,324
Retail & Commercial	13,866,416	14,074,412	14,285,528	319,976,279	319,976,279
Perimeter ROW	-	-	-	-	-
Interior ROW	-	-	-	-	-
Drainage way & Park	-	-	-	-	-
Parks in Street Islands	-	-	-	-	-
Park with Main Trail	-	-	-	-	-
Sales Center	-	-	-	1,000,000	1,000,000
Office Use	11,612,042	11,786,223	11,963,016	267,955,183	267,955,183
Major Drainage way	-	-	-	-	-
Added Value	103,578,909	112,761,556	106,709,581	2,569,780,975	2,569,780,975
Projected Construction Costs	9,367,085	10,197,511	9,650,205		232,396,315
	8,430,500	9,088,545	8,653,777		232,396,315
	10,123,067	10,712,980	10,146,100		

Project and Finance Plan

Tres Lagos

Exhibit 5
Sources & Uses Table

Proposed Tres Lagos Tax Increment Finance Zone Sources & Uses					
Sources of Funds					
	Net TIF Revenues City of McAllen	\$	120,990,149		
	Net TIF Revenues Hidalgo County	\$	143,318,484		
		\$	264,308,634		
Total Sources of Funds					
Uses Of Funds					
	Units	Amount	Cost Per Unit	Location	Total Infrastructure Improvements
Public Improvements					
Internal Hard Project Costs					
Site Work	Acres	1660	\$ 2,500.00	Project Site	\$ 3,875,000
Mile 9 Russell Rd Pav/Drain/Right	L.F.	27560	\$ 513.00	Site	\$ 14,138,280
Shary & Bryan Pav/Drain/Right	L.F.	11900	\$ 479.50	Site	\$ 5,706,050
Glasscock/Stewart/Mayberry	L.F.	10400	\$ 354.50	Site	\$ 3,686,800
Int. Streets & Drainage	L.F.	154660	\$ 214.50	Project Site	\$ 33,196,698
Water Reuse System; and Lakes	L.F.	154,460	\$ 39.00	Project Site	\$ 14,969,651
Water	L.F.	154,560	\$ 50.00	Project Site	\$ 26,196,890
Spine Water Main	34,100 LF of 20 in. & 16 in	LS	na	Offsite and Onsite	\$ 3,400,000
Spine Sanitary Sewer Main	15 to 21 inch SS	LS	na	Onsite	\$ 2,200,000
Drain Ditch Xings	10' x 10' Box Culvert Xing	5	\$ 150,000.00	Ditch Xing with Roads	\$ 750,000
Spine Water Reuse	Lake Lining/pumps/tanks	LS	na	50 ac of lake reservoir	\$ 3,000,000
Sewer	L.F.	154,560	\$ 52.00	Project Site	\$ 25,662,259
Parks w/amenities & Landscaping	Acres	121	\$ 100,000.00	Project Site	\$ 12,100,000
Main Entrances	Each	3	\$ 350,000.00	Project Site	\$ 1,050,000
Minor Entrances	Each	21	\$ 75,000.00	Project Site	\$ 1,575,000
Roundabouts	Each	3	\$ 85,000.00		\$ 255,000
Bus Stops	Each	5	\$ 35,000.00	Project Site	\$ 175,000
Mail Box Clusters	Each	8500	\$ 100.00	Project Site	\$ 850,000
Water Impact Fees	AcFt	3125	\$ 2,500.00	Project Site	\$ 7,812,500
Sewer Impact Fees				Project Site	\$ -
Sidewalks	S.F.	755,117	\$ 4.00	Project Site	\$ 3,020,468
Purchase of Real Property	Acres	40	\$ 15,000.00	South Area	\$ 600,000
Masonry Walls	LF	52800	\$ 80.00		\$ 4,224,000
Common Hard Costs					
FTTH, Comm. Wi-Fi, Surveillance		varies	varies	Project Site	\$ 13,779,000
				Sub Total:	\$ 202,622,596
Soft Project Costs					
Engineering/Surveying/Consulting					\$ 10,209,608
Construction Management					\$ 2,532,782
Formation Costs & Consulting					\$ 900,000
Contingency & City Public Improvements (approx. \$4,050,000.00) plus Pre-TIRZ Administrative Costs (up to \$70,000)					\$ 10,131,130
Subtotals					\$ 232,396,315
EXPENSE:					
Total Infrastructure		\$	232,396,315		
Interest Expense / Finance Costs (estimated) @ 4.5%		\$	26,144,506		
Total		\$	258,540,901		
Admin. Expenses (City & County)		\$	400,000		
Grand Total		\$	258,940,901		
REVENUE:					
Total TIF Revenue		\$	264,308,634		
Project Financing Surplus (Shortage)		\$	5,367,733		

The above allocation of costs are estimated and may be changed or adjusted by action of the Board of the TIRZ to meet project requirements pursuant to Section 13.3 of the Development Agreement, however the total maximum contributions of the participating taxing entities and term of the Zone may not be increased without approval by the City Commission and County Commissioners Court.

C. TIRZ v. Non-TIRZ Revenue Projections (w/Sales Tax)

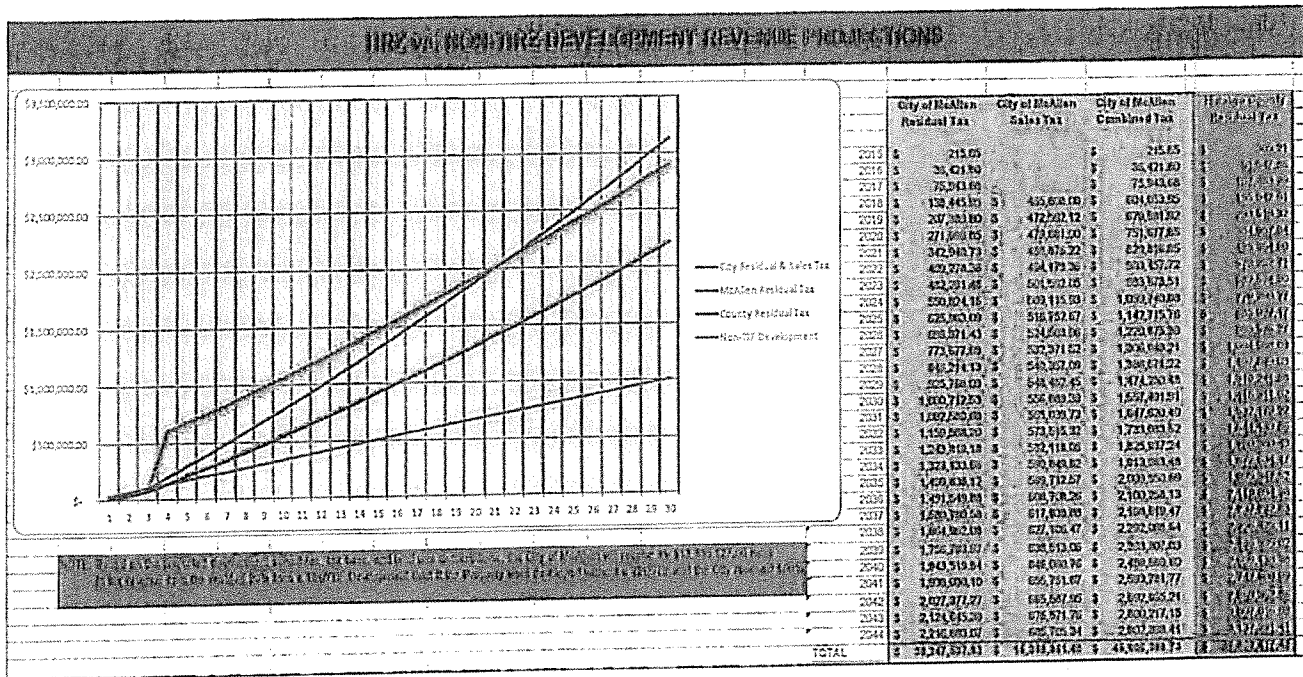


Exhibit 7
Projected Value of Taxable New Improvements

McAllen - Tax Increment Finance Zone #1										
Projected Value of Taxable New Improvements										
Construction Costs of Public Improvements (figures do not include interest, formation or other allowable project costs)										
Year										Total
2015	\$ 250,000									\$ 250,000
2016		\$ 41,873,276								\$ 41,873,276
2017			\$ 45,817,161							\$ 45,817,161
2018				\$ 72,457,936						\$ 72,457,936
2019					\$ 79,925,635					\$ 79,925,635
2020						\$ 74,838,039				\$ 74,838,039
2021							\$ 82,244,240			\$ 82,244,240
2022								\$ 76,904,276		\$ 76,904,276
2023									\$ 84,631,468	\$ 84,631,468
2024										\$ 79,228,708
2025										\$ 81,623,355
2026										\$ 83,620,062
2027										\$ 84,990,462
2028										\$ 87,225,723
2029										\$ 86,882,097
2030										\$ 94,908,587
2031										\$ 89,250,552
2032										\$ 97,670,974
2033										\$ 91,848,150
2034										\$ 100,515,281
2035										\$ 94,727,282
2036										\$ 103,443,899
2037										\$ 97,590,415
2038										\$ 106,459,414
2039										\$ 100,540,035
2040										\$ 109,564,406
2041										\$ 103,578,909
2042										\$ 112,761,556
2043										\$ 106,709,581
2044										
	\$ 250,000	\$ 41,873,276	\$ 45,817,161	\$ 72,457,936	\$ 79,925,635	\$ 74,838,039	\$ 82,244,240	\$ 76,904,276	\$ 84,631,468	\$ 2,018,678,886
										\$ 2,563,780,976

Project and Finance Plan

Tres Lagos

Exhibit 8 Estimated Construction Schedule

McAllen - Tax Increment Finance Zone #1											
Projected Uses of Tax Increment											
Estimated Construction Schedule of Public Improvements (figures do not include interest, formation or other allowable project costs)											
Year											Total
2015	22,609.57										\$ 22,609
2016		\$ 3,795,823									\$ 3,795,823
2017			\$ 4,143,442								\$ 4,143,442
2018				\$ 6,552,687							\$ 6,552,687
2019					\$ 7,228,018						\$ 7,228,018
2020						\$ 6,773,351					\$ 6,773,351
2021							\$ 7,437,699				\$ 7,437,699
2022								\$ 6,954,784			\$ 6,954,784
2023									\$ 7,653,687		\$ 7,653,687
2024										\$ 7,164,992	\$ 7,164,992
2025											\$ 7,898,474
2026											\$ 6,371,189
2027											\$ 7,652,639
2028											\$ 6,499,250
2029											\$ 7,188,057
2030											\$ 6,653,140
2031											\$ 7,926,236
2032											\$ 6,763,146
2033											\$ 7,257,130
2034											\$ 6,899,085
2035											\$ 7,610,792
2036											\$ 7,937,766
2037											\$ 7,757,278
2038											\$ 7,179,215
2039											\$ 7,905,643
2040											\$ 7,323,517
2041											\$ 8,058,944
2042											\$ 7,470,720
2043											\$ 8,214,241
2044											\$ 7,620,682
		\$ 3,795,823	\$ 4,143,442	\$ 6,552,687	\$ 7,228,018	\$ 6,773,351	\$ 7,437,699	\$ 6,954,784	\$ 7,653,687	\$ 7,164,992	\$ 146,298,235
											\$ 232,396,315

The projections and estimates contained in this Schedule are subject to and may be impacted by market & economic conditions both domestic & international. Actual completion & construction of the project may take more or less time than described herein. However it is understood that the Developer will use its best efforts to complete the project as quickly as economically feasible. In the event the Developer spends more for infrastructure in a year than required, the amount spent in excess of the required amount shall be credited forward to the next year and applied as if the funds were spent in that year for the purpose of determining

Exhibit 9
Allocated Land Uses and Values Table

Tres Lagos Allocated Land Uses and Values			ALL TAXABLE VALUES ONLY						
Designation	Description	Category	Square Feet	Acres	Ac by Cat.	Avg Unit Value	Type Unit	Value Per Acre	Total Value
SF-A	Single Family 2.5 du/acre	Single Family		239		\$390,000.00	House	\$975,000.00	\$233,025,000.00
SF-B	Single Family 3.5 du/acre	Single Family		513		\$290,000.00	House	\$1,015,000.00	\$520,595,000.00
SF-C	Single Family 4.5 du/acre	Single Family		697	1344	\$150,000.00	House	\$665,000.00	\$463,505,000.00
NR-E	School Site	Commercial/Other	3,475,137	80		\$0.00	Acre	\$0.00	\$0.00
NR-G	Church, Mosque, Synagogue	Commercial/Other	3,920,400	90		\$0.00	Acre	\$0.00	\$0.00
NR-D	Technology Park/Campus	Commercial/Other	4,573,800	105	379.8	\$150.00	Usable S.F.	\$1,693,500.00	\$171,517,500.00
MF-B	Multifamily 10 du/acre	Multifamily	2,090,880	48		\$100,000.00	Unit	\$1,000,000.00	\$48,000,000.00
MF-C	Multifamily 15 du/acre	Multifamily	3,049,200	70		\$79,000.00	Unit	\$1,185,000.00	\$82,950,000.00
MF-A	Townhomes 8 du/acre	Multifamily	3,267,000	75	193	\$150,000.00	Unit	\$1,200,000.00	\$90,000,000.00
NR-A	Retail & Commercial	Retail	8,381,885	192	192.4	\$125.00	Usable S.F.	\$1,361,250.00	\$261,904,500.00
Roadway	Perimeter ROW	Public Use/ROW	1,205,538	28			Acre	\$0.00	\$0.00
Roadway	Interior ROW	Public Use/ROW	5,424,051	125	152.2		Acre	\$0.00	\$0.00
OS-C	Drainage way & Park	Public Use/Amenities	246,660	6			Acre	\$0.00	\$0.00
OS-D	Parks In Street Islands	Public Use/Amenities	479,889	11			Acre	\$0.00	\$0.00
OS-B	Park with Main Trail	Public Use/Amenities	4,770,226	110	126.2		Acre	\$0.00	\$0.00
Sales Center	Sales Center	Office	174,240	4		\$250,000.00	Acre	\$250,000.00	\$1,000,000.00
NR-B	Office Use	Office	4,212,252	97	100.7	\$200.00	Usable S.F.	\$2,178,000.00	\$219,324,600.00
OS-A	Major Drainage way	Public Use/Flood Plain	3,073,394	71	70.6	\$0.00	Acre	\$0.00	\$0.00
Totals			111,463,996	2,559	2558.9				\$2,691,921,600.00