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 AGREEEMENT.

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

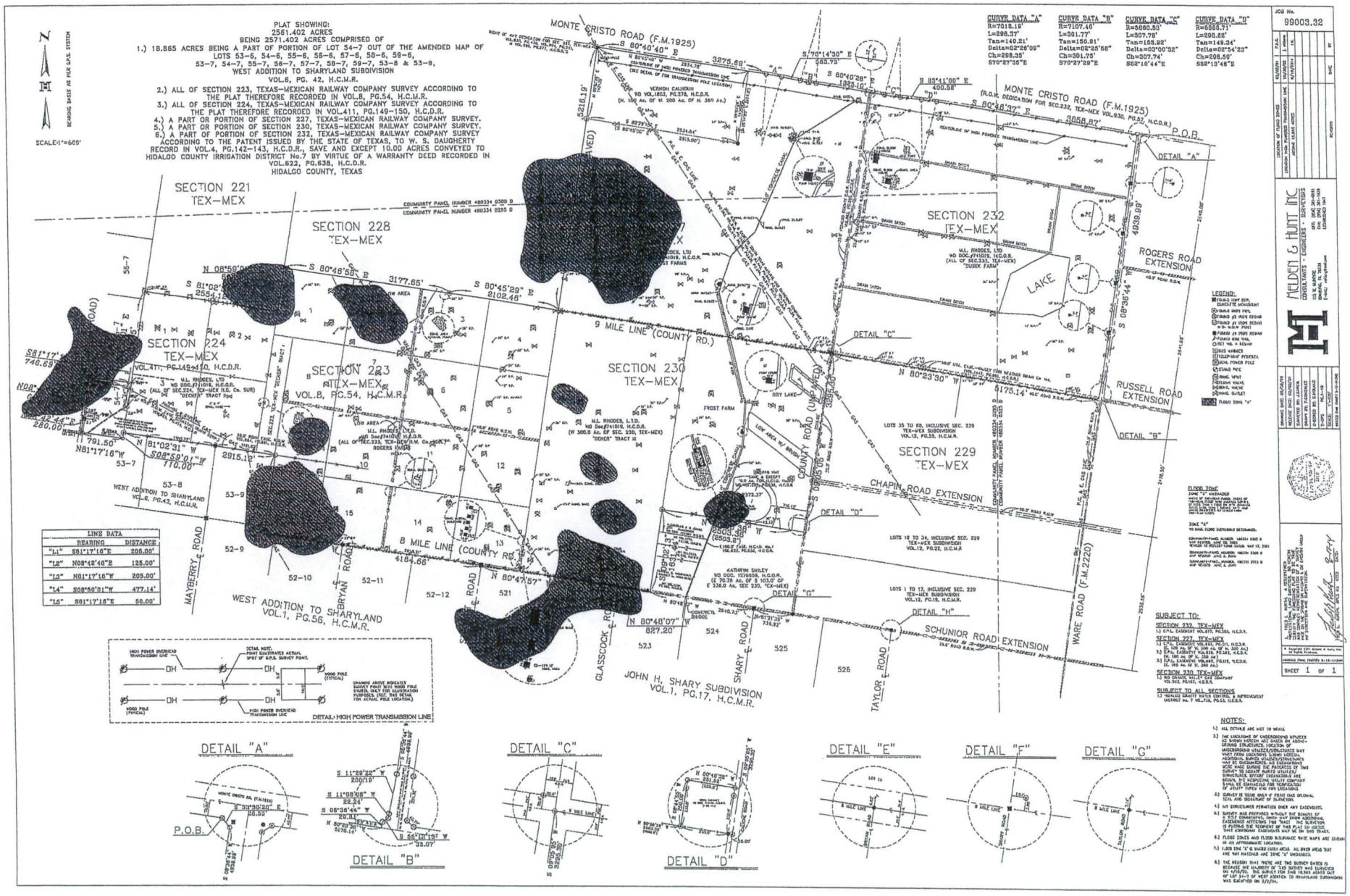
RHODES ENTERPRISES, INC. CORPORATE SEAL 1994 TEXAS

TAX REINVESTMENT ZONE NUMBER ONE, CITY OF MCALLEN, TEXAS

By: _____
Michael B. Rhodes, Chairman

EXHIBIT "A"

Zone Property


PLAT SHOWING:
2561.402 ACRES
BEING 2571.402 ACRES COMPRISED OF
1.) 18.865 ACRES BEING A PART OF 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 VOL.6, PG. 42, H.C.M.R.
2.) ALL OF SECTION 223, TEXAS-MEXICAN RAILWAY COMPANY SURVEY ACCORDING TO THE PLAT THEREFORE RECORDED IN VOL.8, PG.54, H.C.M.R.
3.) ALL OF SECTION 224, TEXAS-MEXICAN RAILWAY COMPANY SURVEY ACCORDING TO THE PLAT THEREFORE RECORDED IN VOL.411, PG.149-150, H.C.D.R.
4.) A PART OR PORTION OF SECTION 227, TEXAS-MEXICAN RAILWAY COMPANY SURVEY.
5.) A PART OR PORTION OF SECTION 230, TEXAS-MEXICAN RAILWAY COMPANY SURVEY.
6.) A PART OF PORTION OF SECTION 232, TEXAS-MEXICAN RAILWAY COMPANY SURVEY ACCORDING TO THE PATENT ISSUED BY THE STATE OF TEXAS, TO W. S. DAUGHERTY RECORD IN VOL.4, PG.142-143, H.C.D.R., SAVE AND EXCEPT 10.00 ACRES CONVEYED TO HIDALGO COUNTY IRRIGATION DISTRICT No.7 BY VIRTUE OF A WARRANTY DEED RECORDED IN VOL.622, PG.638, H.C.D.R.
HIDALGO COUNTY, TEXAS
BEARING BASIS AS PER G.P.S. STATION
SCALE: 1"=600'
MONTE CRISTO ROAD (F.M.1925)
S 80°40'40" E 3275.69'
S 78°14'30" E 363.73'
S 80°40'26" E 1355.10'
S 83°41'00" E 400.58'
S 80°48'37" E 3958.82'
P.O.B.
DETAIL "A"
SECTION 221 TEX-MEX
SECTION 228 TEX-MEX
SECTION 224 TEX-MEX
VOL.411, PG.149-150, H.C.D.R.
SECTION 223 TEX-MEX
VOL.8, PG.54, H.C.M.R.
SECTION 230 TEX-MEX
SECTION 232 TEX-MEX
SECTION 229 TEX-MEX
9 MILE LINE (COUNTY RD.)
8 MILE LINE (COUNTY RD.)
COUNTY ROAD (UNNAMED)
MAYBERRY ROAD
BRYAN ROAD
GLASSCOCK ROAD
SHARY ROAD
TAYLOR ROAD
WARE ROAD (F.M.2220)
ROGERS ROAD EXTENSION
RUSSELL ROAD EXTENSION
CHAPIN ROAD EXTENSION
SCHUNIOR ROAD EXTENSION
LAKE
DIRT LAKE
FROST FARM
WEST ADDITION TO SHARYLAND VOL.1, PG.56, H.C.M.R.
JOHN H. SHARY SUBDIVISION VOL.1, PG.17, H.C.M.R.
DETAIL "B"
DETAIL "C"
DETAIL "D"
DETAIL "E"
DETAIL "F"
DETAIL "G"
DETAIL "H"
DETAIL: HIGH POWER TRANSMISSION LINE
LINE DATA
BEARING DISTANCE
"L1" S81°17'16"E 205.00'
"L2" N08°42'46"E 125.00'
"L3" N81°17'16"W 205.00'
"L4" S08°59'01"W 477.14'
"L5" S81°17'16"E 50.00'
CURVE DATA "A" R=7018.19' L=298.37' Tan=149.21' Delta=02°26'09" Ch=298.35' S79°27'35"E
CURVE DATA "B" R=7107.46' L=301.77' Tan=150.91' Delta=02°25'58" Ch=301.75' S79°27'29"E
CURVE DATA "C" R=5660.53' L=307.78' Tan=153.92' Delta=03°06'32" Ch=307.74' S82°10'44"E
CURVE DATA "D" R=5885.71' L=298.62' Tan=149.34' Delta=02°54'23" Ch=298.50' S82°13'48"E
LEGEND:
FLOOD ZONE "A"
SUBJECT TO:
SECTION 232, TEX-MEX
SECTION 227, TEX-MEX
SECTION 230, TEX-MEX
SUBJECT TO ALL SECTIONS
NOTES:
JOB No. 99003.32
MELDEN & HUNT INC
CONSULTANTS • ENGINEERS • SURVEYORS
SHEET 1 OF 1

Revised: September 16, 2014
Revised February 10, 2000
Revised January 13, 2000
June 15, 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 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° 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° 10' 44" E a distance of 307.74 feet to an iron rod set;

40. THENCE, S 83° 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° 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° 13' 48" E a distance of 298.59 feet to an iron rod set;

42. THENCE, S 80° 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 9-17-14

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

EXHIBIT "B"

Project and Finance Plan

CITY OF MCALLEN, TEXAS

City of McAllen, TX
Integrity · Accountability · Commitment

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.

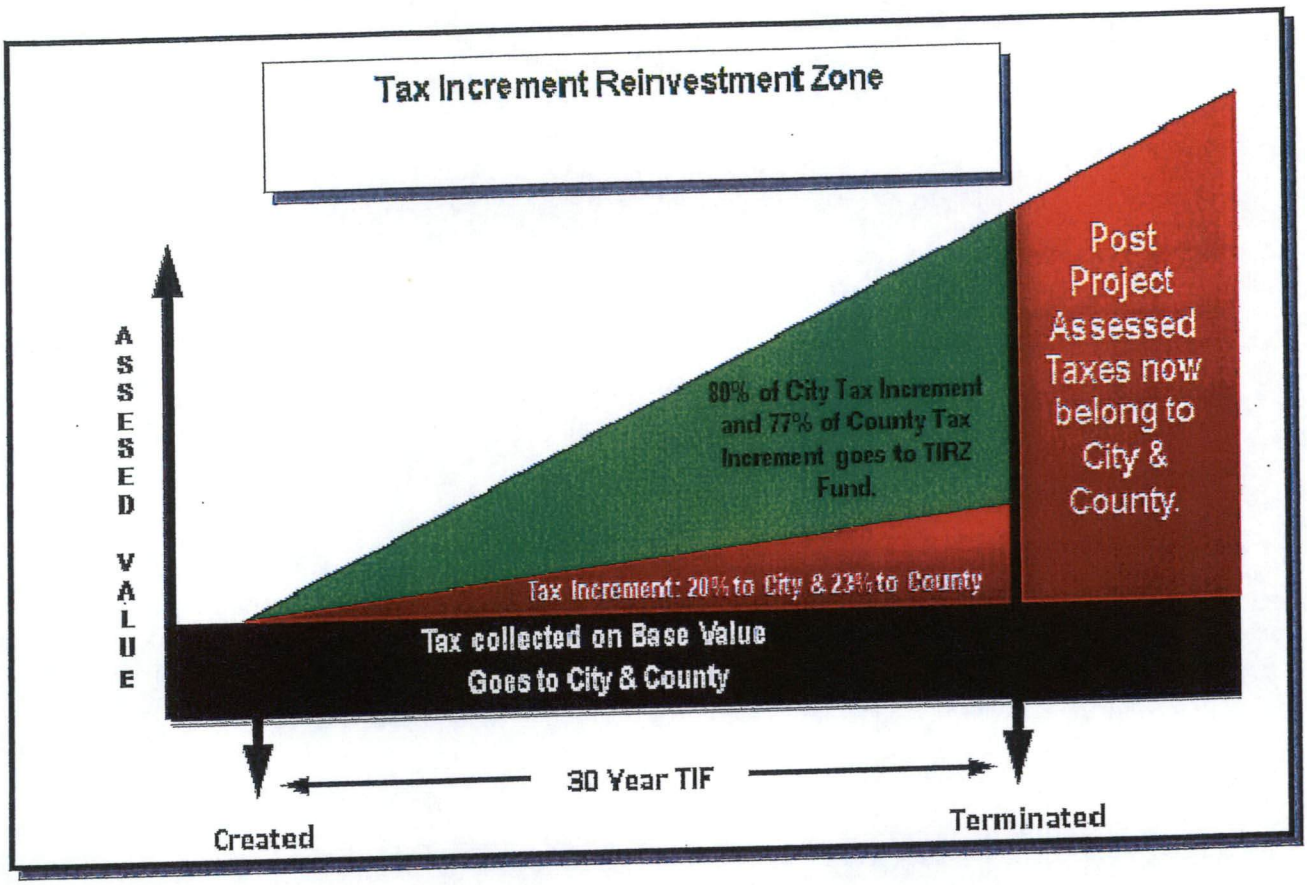
The TIRZ Concept

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.

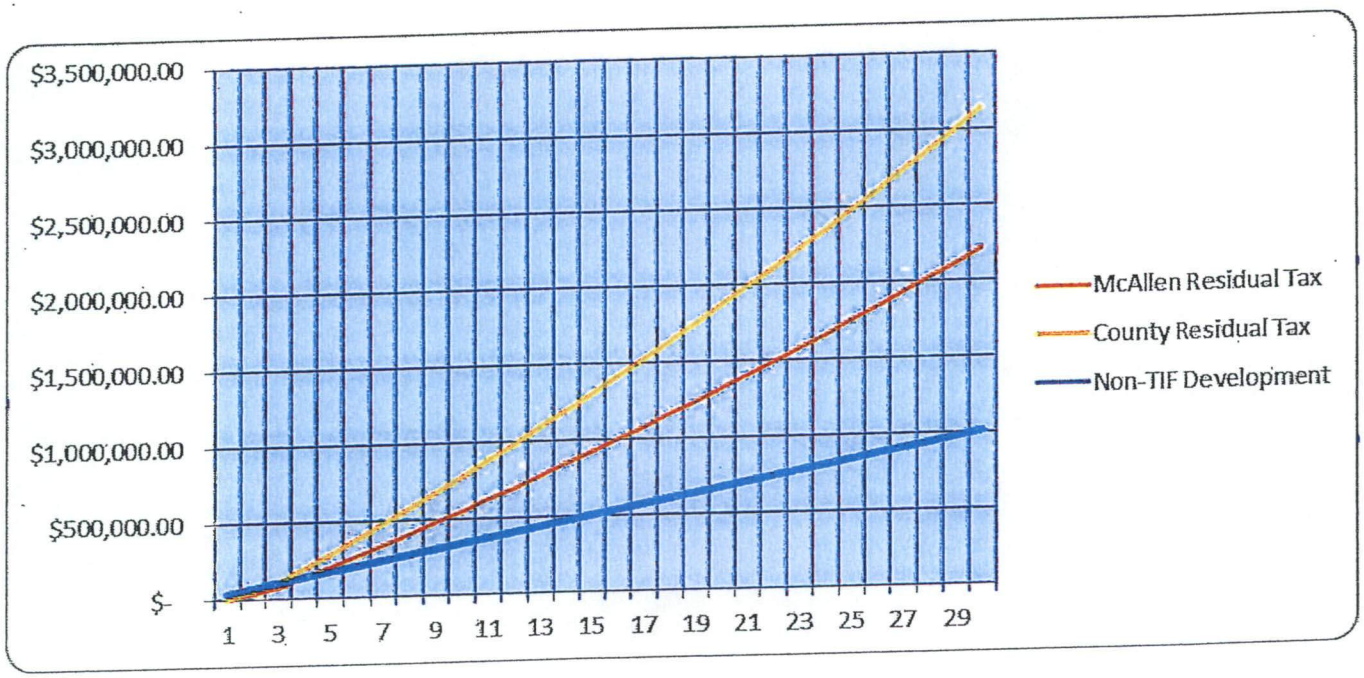
When a zone is created, the "base value" of the area is frozen for tax purposes. The existing taxing entities continue to receive tax revenues as before. However the increased tax revenue ("the increment") generated by new development within the zone will be used to reimburse costs related to public 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]

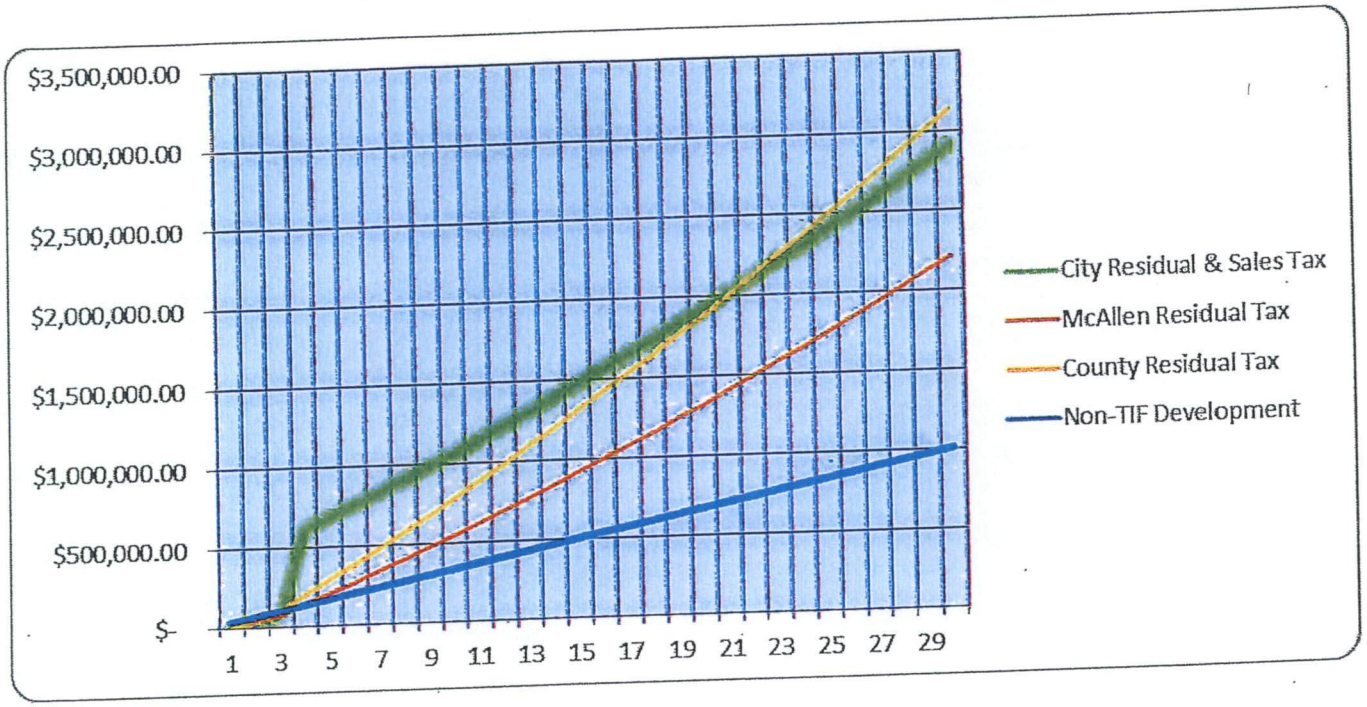
TIRZ ASSESSED VALUE (AV) OVER PROJECT LIFE



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 [illegible] 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.

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

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 16, 2014
Revised February 15, 2008
Revised January 13, 2006
June 15, 1999

METES AND BOUND DESCRIPTION
2551.402 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 2551.402 acres situated in the County of Hidalgo, Texas, being 2571.402 acres comprised of 1.) 48.565 acres being a part or portion of LOT 54-7, OUT OF THE AMENDED MAP OF LOTS 53-4, 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 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 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 89° 46' 37" W a distance of 50.16 feet, and S 00° 13' 23" W a distance of 40.00 feet from the Northeast corner of said Section 232;

1. THENCE, S 33° 38' 26" 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 82, 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 00° 36' 44" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 2638.28 feet to an iron rod found for an angle point;

3. THENCE, S 11° 39' 35" W along the West right-of-way line of said Ware Road (F. M. 2220), a distance of 250.19 feet to an iron rod found for an angle point;

4. THENCE, S 11° 08' 06" 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 00° 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 29.11 feet to the Northernmost Southeast corner of this tract;

7. THENCE, N 89° 23' 30" W along the South line of said Section 232, the North line of Lots 35-58, Section 230, 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 00°55' 01" 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 2719.05 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 89° 46' 37" 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 00° 47' 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 89° 46' 37" W a distance of 2503.36 feet (2504.2 feet) to an iron pipe found for an inside corner of this tract.

12. THENCE, S 00° 07' 17" W at a distance of 1811.44 feet pass the North right-of-way line of Mile 8 Road, and continuing a total distance of 1831.44 feet to the Southeast corner of this tract;

13. THENCE, N 89° 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 89° 47' 57" W along the South line of said Section 230, said Section 229, and within said Mile 8 Road right-of-way, a distance of 2544.58 feet to a concrete monument found for the centerline of Stewart Road, and for an angle point of this tract;

15. THENCE, N 89° 10' 51" W along the South line of said Section 229, 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 4184.68 feet to the Southwest corner of said Section 229, and for the Southernmost Southeast corner of this tract;

16. THENCE, N 00° 55' 01" E along the West line of said Section 229, a distance of 1954.21 feet to an iron rod set for an inside corner of this tract;

17. THENCE, N 81° 02' 21" W along the South line of said Section 223, and said Section 224, at a distance of 1161.62 feet pass an iron rod found in line, at a distance of 2482.04 feet pass an iron rod found in line, and continuing a total distance of 2915.13 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 00°55' 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 751.50 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2062 (Camu 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°42'45" E along the West line of said Lot 54-7 and within the right-of-way of F.M. Road 2062 (Camu Road), a distance of 250.00 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 2062 (Camu 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' 45" 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;

Page 4
[illegible]

23. THENCE, N 81°17'16" W along the North line of said The Trails Subdivision, at a distance of 175.09 feet pass a No.4 rebar set for the East right-of-way line of F.M. Road 2557 (Conti Road), continuing a total distance of 205.98 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 2557 (Conti Road), a distance of 682.13 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 2557 (Conti Road), continuing a total distance of 748.89 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 2254.35 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 954.95 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° 42' 58" E along the North line of said Section 223, a distance of 3177.45 feet to an iron pipe found for an angle point of this tract;

32. THENCE, S 80° 45' 28" E along the North line of said Section 223, a distance of 2102.45 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 08° 00' 25" E along the West line of said Section 227, at a distance of 3749.04 feet pass an iron pipe found in line, and continuing a total distance of 3816.19 feet to an iron pipe found for the Northernmost Northwest corner of this tract;

34. THENCE, S 80° 45' 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 898, Page 277, and Volume 930, Page 57, Hidalgo County Deed Records, a distance of 3279.69 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° 25' 09", a radius of 7018.19 feet, an arc length of 296.37 feet, a tangent of 148.21 feet, and a chord that bears S 79° 27' 35" E a distance of 296.35 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 385.73 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' 56", a radius of 7167.44 feet, an arc length of 304.77 feet, a tangent of 152.51 feet, and a chord that bears S 79° 27' 29" E a distance of 304.75 feet to an iron rod set;

38. THENCE, S 80° 40' 25" 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 05° 01' 37", a radius of 5699.83 feet, an arc length of 307.78 feet, a tangent of 153.92 feet, and a chord that bears S 82° 10' 41" E a distance of 307.74 feet to an iron rod set;

40. THENCE, S 83° 41' 07" 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° 54' 29", a radius of 5656.71 feet, an arc length of 286.62 feet, a tangent of 143.34 feet, and a chord that bears S 82° 13' 48" E a distance of 286.58 feet to an iron rod set;

42. THENCE, S 80° 46' 37" E along the South right-of-way line of said Monte Cristo Road (F. M. 1925), a distance of 3944.87 feet to the POINT OF BEGINNING, and containing 3571.402 acres, SAVE AND EXCEPT the above mentioned 10.00 acres conveyed to Hidalgo County Irrigation District No. 7, leaving 3,561.402 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 04/15/00 & 02/05/04 UNDER MY DIRECTION AND SUPERVISION.

FRED L. KURTH, R.P.L.S. #4750 DATE: 9-17-04

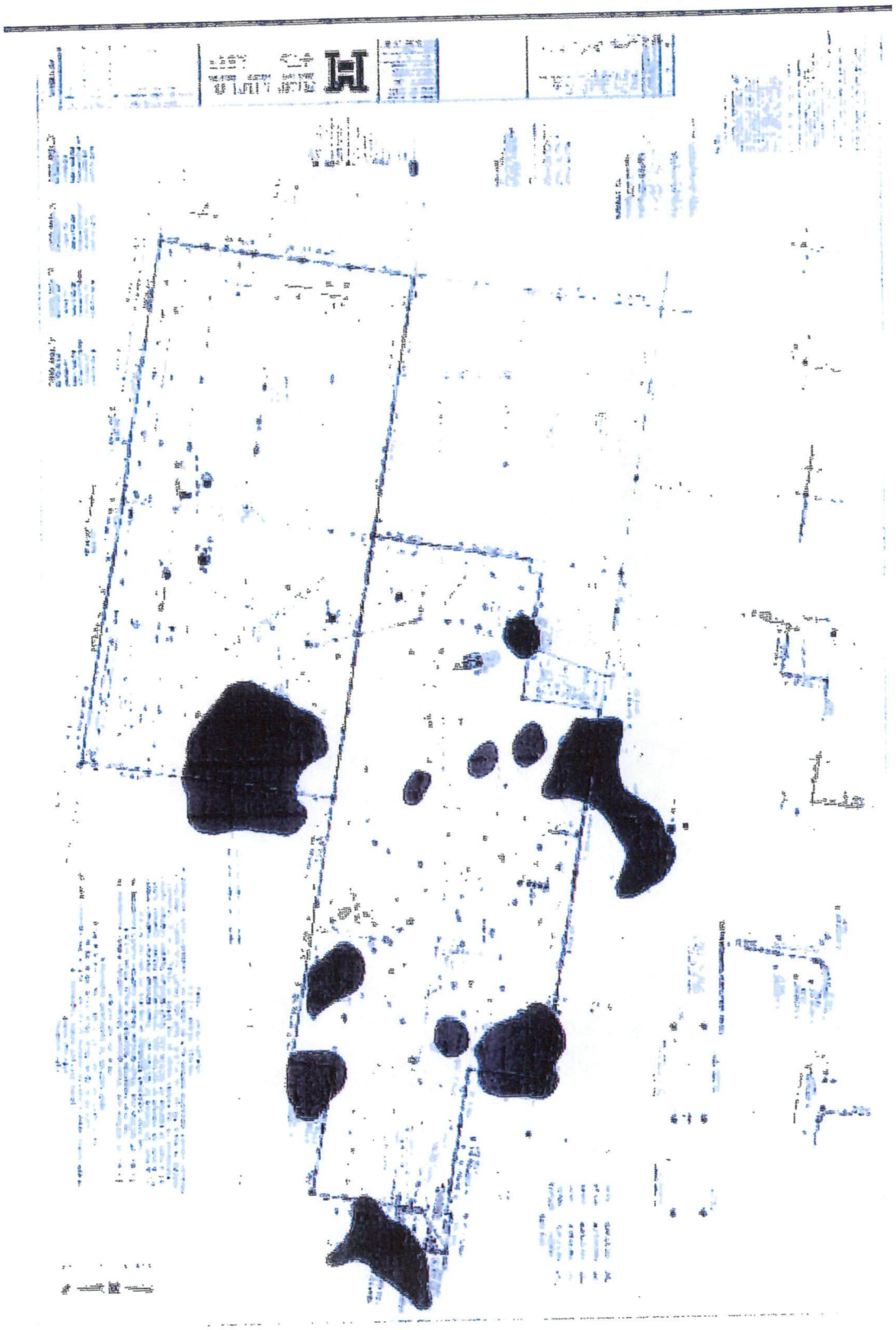
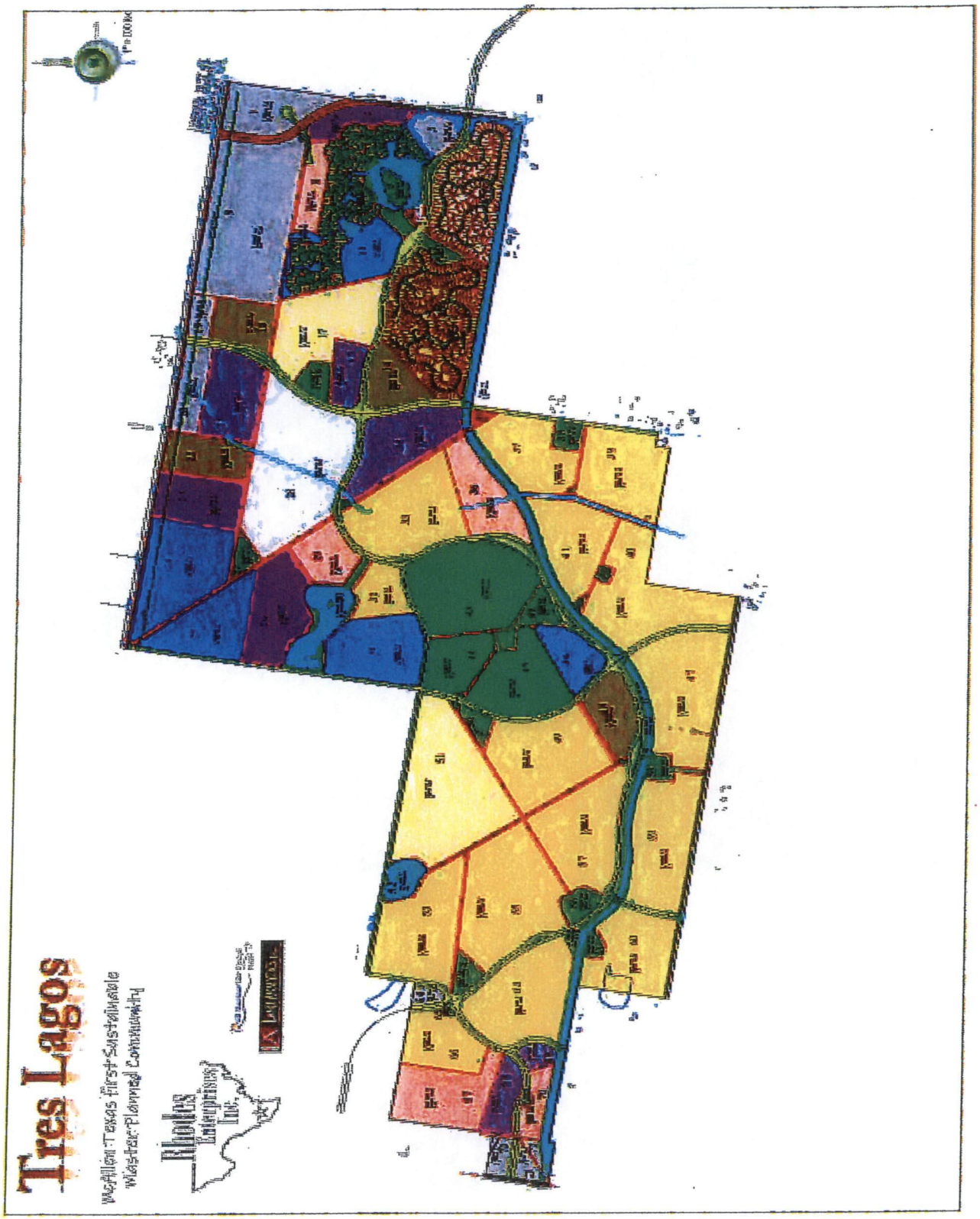


Exhibit 2
A. Map of Proposed Improvements and Uses



B. Map of Existing Uses and Conditions

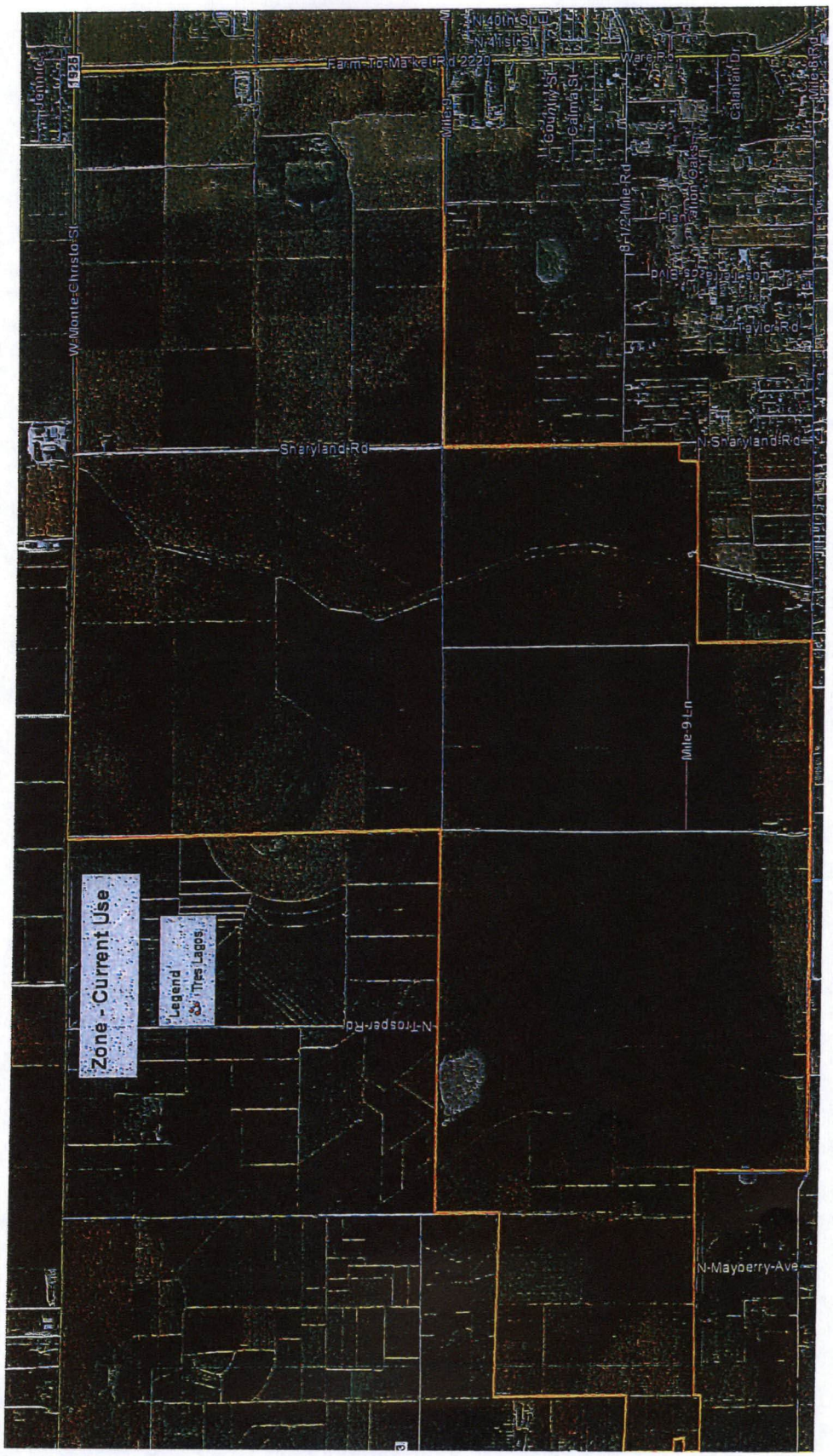


Exhibit 3
A. Waivers and Exceptions to the City of McAllen Platting Regulations

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

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 Year		2015	2016	2017	2018	2019	2020
Development Type/ by acre	Total Current Value	1	2	3	4	5	6
Single Family 2.5 du/acre	233,025,000	-	8,035,345	8,155,875	8,278,213	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 10 du/acre	48,000,000	-	-	-	1,777,778	1,804,444	1,831,511
Multifamily 25 du/acre	82,950,000	-	-	-	-	6,380,769	-
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**	**72,457,996**	**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	172,575	359,835	655,983	982,652	1,288,772

	2021	2022	2023	2024	2025	2026	2027
Development Type/ by acre	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 10 du/acre	1,858,984	1,886,869	1,915,172	1,943,899	1,973,058	2,002,653	2,032,693
Multifamily 25 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	7,164,992	7,898,474	7,381,554	8,104,727
Proposed Tax Revenue - City of McAllen	1,571,765	1,637,113	1,929,126	2,202,957	2,503,852	2,785,286	3,094,711
Proposed Tax Revenue - Hidalgo County	1,624,917	1,686,797	2,785,140	2,608,560	2,965,930	3,299,538	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	10,349,688	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 4.5 du/acre	19,109,483	19,396,125	19,687,067	19,982,373	20,282,108	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 10 du/acre	2,063,184	2,094,131	2,125,543	2,157,427	2,189,788	2,222,635	2,255,974
Multifamily 25 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	4,018,608	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	3,709,072	4,002,850	4,330,323	4,638,275	4,975,277	5,292,535
Proposed Tax Revenue - Hidalgo County	4,009,521	4,386,462	4,741,568	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	10,662,507	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	24,545,523	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 10 du/acre	2,289,814	2,324,161	2,359,024	2,394,409	2,430,325	2,466,780	2,503,782
Multifamily 25 du/acre	7,187,889	-	7,295,708	-	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	4,526,927	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	10,778,998	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**	**105,499,414**	**100,549,085**	**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	5,966,200	6,329,122	6,658,848	7,027,176	7,374,079	7,752,120
Proposed Tax Revenue - Hidalgo County	6,680,275	7,067,242	7,480,054	7,888,901	8,324,018	8,734,842	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	9,355,387	209,547,875	209,547,875
Multifamily 30 du/acre	2,541,338	2,579,458	2,618,150	58,642,984	58,642,984
Multifamily 35 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	10,066,867	10,503,105		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					**$ 232,396,315**
EXPENSE:					
Total Infrastructure		$ 232,396,315			
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

Tax Year	TIF Assessed Values: Beginning Assessed Tax Value	Annual Value of New Tax Development	Projected Year-End Tax Assessed Value	Projected Captured Tax Value	City of McAllen Tax - TIF (80% of M & O Tax Rate): Taxable Value	Rate	Tax Increment	Hidalgo County (77% of M&O Rate): Taxable Value	Rate	Tax Increment	Edinburg ISD: 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	1.239800	$ 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	1.239800	$ 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	1.239800	$ 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	1.239800	$ 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	1.239800	$ 2,980,778
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	1.239800	$ 3,909,363
2021	$ 315,322,106	$ 82,244,240	$ 397,566,347	$ 397,566,347	$ 397,566,347	0.345040	$ 1,371,763	$ 397,566,347	0.408716	$ 1,624,917	$ 397,566,347	1.239800	$ 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	$ 1,939,237	$ 474,470,622	1.239800	$ 5,882,487
2023	$ 474,470,622	$ 84,631,468	$ 559,102,090	$ 559,102,090	$ 559,102,090	0.345040	$ 1,929,126	$ 559,102,090	0.408716	$ 2,285,140	$ 559,102,090	1.239800	$ 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	1.239800	$ 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	1.239800	$ 8,996,859
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	1.239800	$ 10,008,826
2027	$ 807,293,564	$ 89,620,062	$ 896,913,626	$ 896,913,626	$ 896,913,626	0.345040	$ 3,094,711	$ 896,913,626	0.408716	$ 3,665,829	$ 896,913,626	1.239800	$ 11,119,935
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	1.239800	$ 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	$ 4,386,462	$ 1,073,229,808	1.239800	$ 13,305,903
2030	$ 1,073,229,808	$ 86,882,097	$ 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	1.239800	$ 14,383,067
2031	$ 1,160,111,904	$ 94,908,587	$ 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	1.239800	$ 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	1.239800	$ 16,666,272
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	1.239800	$ 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	1.239800	$ 19,017,170
2035	$ 1,533,890,167	$ 100,515,261	$ 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	1.239800	$ 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	1.239800	$ 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	1.239800	$ 22,720,285
2038	$ 1,832,576,610	$ 97,590,415	$ 1,930,167,024	$ 1,930,167,024	$ 1,930,167,024	0.345040	$ 6,659,848	$ 1,930,167,024	0.408716	$ 7,888,901	$ 1,930,167,024	1.239800	$ 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	1.239800	$ 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	1.239800	$ 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	$ 9,182,749	$ 2,246,730,930	1.239800	$ 27,854,970
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	$ 9,606,092	$ 2,350,309,839	1.239800	$ 29,139,141
2043	$ 2,350,309,839	$ 112,761,556	$ 2,463,071,395	$ 2,463,071,395	$ 2,463,071,395	0.345040	$ 8,498,582	$ 2,463,071,395	0.408716	$ 10,066,967	$ 2,463,071,395	1.239800	$ 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	$ 10,503,106	$ 2,569,780,976	1.239800	$ 31,860,145
				$ 2,569,780,976			$ 120,990,149			$ 143,318,484			$ 434,742,601

Existing Annual Value Growth Factors	
Year 2014	0.00%
Combined Compound Growth Rate	

Participation Level (M&O only)	80%
Tax Rate Collection Factor	100.00%

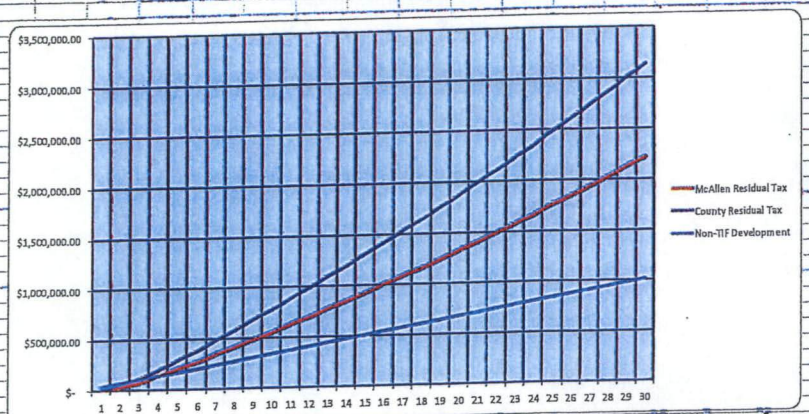
Participation Level	77%
Tax Rate Collection Factor	100.00%

The base year (2014) value of the land within the Zone is +/- TBD 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	$143,318,484
TOTAL	$264,308,634

B. TIRZ v. Non-TIRZ Revenue Projections

TIRZ vs. NON-TIRZ DEVELOPMENT REVENUE PROJECTIONS

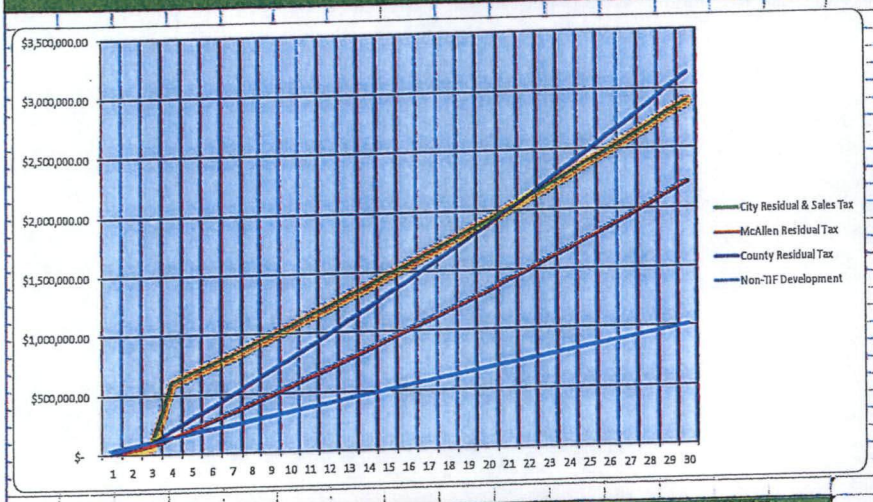


NOTE: Based on the projected development schedules, tax base, and land use assumptions, the City of McAllen will receive +/- $18,355,127.00 more in tax revenue from the residual 16% from a TIRZ/TIF Development than if the Property were developed without a TIRZ/TIF and the City received 100% in tax revenue from the residual 16% from a TIRZ/TIF Development than if the Property were developed without a TIRZ/TIF and the City received 100%

	City of McAllen Residual Tax	Hidalgo County Residual Tax	1/2 acre Rural Lot Development City of McAllen: Tax Base	Rate	Tax Increment
2015	$ 215.85	$ 305.21	$ -	$ -	$ -
2016	$ 36,421.80	$ 51,547.86	$ -	$ -	$ -
2017	$ 75,943.68	$ 107,483.29	$ -	$ -	$ -
2018	$ 138,445.55	$ 195,942.91	$ -	$ -	$ -
2019	$ 207,389.80	$ 293,519.32	$ 7,000,000.00	$ 0.43	$ 30,191.00
2020	$ 271,996.85	$ 384,957.84	$ 14,000,000.00	$ 0.48	$ 67,382.00
2021	$ 342,940.73	$ 485,384.50	$ 21,000,000.00	$ 0.48	$ 101,073.00
2022	$ 409,278.36	$ 579,252.71	$ 28,000,000.00	$ 0.48	$ 134,764.00
2023	$ 482,281.48	$ 682,574.20	$ 35,000,000.00	$ 0.48	$ 168,455.00
2024	$ 550,624.15	$ 779,299.77	$ 42,000,000.00	$ 0.48	$ 202,146.00
2025	$ 625,983.09	$ 885,927.17	$ 49,000,000.00	$ 0.48	$ 235,837.00
2026	$ 696,371.43	$ 985,576.27	$ 56,000,000.00	$ 0.48	$ 269,528.00
2027	$ 773,677.69	$ 1,094,988.03	$ 63,000,000.00	$ 0.48	$ 303,219.00
2028	$ 846,214.13	$ 1,197,649.03	$ 70,000,000.00	$ 0.48	$ 336,910.00
2029	$ 925,768.03	$ 1,310,241.88	$ 77,000,000.00	$ 0.48	$ 370,601.00
2030	$ 1,000,712.53	$ 1,416,311.02	$ 84,000,000.00	$ 0.48	$ 404,292.00
2031	$ 1,082,580.68	$ 1,532,178.22	$ 91,000,000.00	$ 0.48	$ 437,983.00
2032	$ 1,159,568.20	$ 1,641,139.86	$ 98,000,000.00	$ 0.48	$ 471,674.00
2033	$ 1,243,918.18	$ 1,760,380.49	$ 105,000,000.00	$ 0.48	$ 505,365.00
2034	$ 1,323,133.66	$ 1,872,634.47	$ 112,000,000.00	$ 0.48	$ 539,056.00
2035	$ 1,409,838.12	$ 1,995,347.52	$ 119,000,000.00	$ 0.48	$ 572,747.00
2036	$ 1,491,549.88	$ 2,110,994.38	$ 126,000,000.00	$ 0.48	$ 606,438.00
2037	$ 1,580,760.58	$ 2,237,282.83	$ 133,000,000.00	$ 0.48	$ 640,129.00
2038	$ 1,664,962.08	$ 2,356,425.11	$ 140,000,000.00	$ 0.48	$ 673,820.00
2039	$ 1,756,783.97	$ 2,486,395.02	$ 147,000,000.00	$ 0.48	$ 707,511.00
2040	$ 1,843,519.84	$ 2,608,139.38	$ 154,000,000.00	$ 0.48	$ 741,202.00
2041	$ 1,938,030.10	$ 2,742,809.99	$ 161,000,000.00	$ 0.48	$ 774,893.00
2042	$ 2,027,377.27	$ 2,869,352.26	$ 168,000,000.00	$ 0.48	$ 808,584.00
2043	$ 2,124,645.39	$ 3,007,016.08	$ 175,000,000.00	$ 0.48	$ 842,275.00
2044	$ 2,216,693.07	$ 3,137,291.41	$ 182,000,000.00	$ 0.48	$ 875,966.00
TOTAL	$ 38,247,937.33	$ 41,889,417.41	$ 2,457,000,000.00		$ 11,822,041.00

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

TIRZ vs. NON-TIRZ DEVELOPMENT REVENUE PROJECTIONS



NOTE: Based on the projected development schedules, tax base, and land use assumptions, the City of McAllen will receive +/- $19,355,127.00 more in tax revenue from the residual 20% from a TIRZ/TIF Development than if the Property were developed without a TIRZ/TIF and the City received 100% in tax revenue from the residual 20%.

	City of McAllen Residual Tax	City of McAllen Sales Tax	City of McAllen Combined Tax	Hidalgo County Residual Tax
2015	$ 215.65		$ 215.65	$ 305.21
2016	$ 36,421.80		$ 36,421.80	$ 51,547.86
2017	$ 75,943.68		$ 75,943.68	$ 107,483.29
2018	$ 138,445.85	$ 465,608.00	$ 604,053.85	$ 195,942.91
2019	$ 207,389.80	$ 472,592.12	$ 679,981.92	$ 293,519.32
2020	$ 271,956.85	$ 479,681.00	$ 751,677.85	$ 384,957.04
2021	$ 342,940.73	$ 486,876.22	$ 829,816.95	$ 485,364.90
2022	$ 409,278.36	$ 494,179.36	$ 903,457.72	$ 579,252.71
2023	$ 482,281.46	$ 501,592.05	$ 983,873.51	$ 682,574.20
2024	$ 550,624.15	$ 509,115.93	$ 1,059,740.08	$ 779,299.77
2025	$ 625,963.09	$ 516,752.67	$ 1,142,715.76	$ 885,977.17
2026	$ 698,371.43	$ 524,503.96	$ 1,220,875.39	$ 985,576.27
2027	$ 773,677.69	$ 532,371.52	$ 1,306,049.21	$ 1,094,988.09
2028	$ 848,214.13	$ 540,357.09	$ 1,388,571.22	$ 1,197,649.09
2029	$ 925,768.03	$ 548,462.45	$ 1,474,230.48	$ 1,310,241.88
2030	$ 1,000,712.53	$ 556,689.39	$ 1,557,401.91	$ 1,416,311.02
2031	$ 1,082,580.68	$ 565,039.73	$ 1,647,620.40	$ 1,532,179.22
2032	$ 1,159,568.20	$ 573,515.32	$ 1,733,083.52	$ 1,641,139.86
2033	$ 1,249,819.18	$ 582,118.05	$ 1,825,937.24	$ 1,760,380.49
2034	$ 1,323,133.66	$ 590,849.82	$ 1,913,983.48	$ 1,872,634.47
2035	$ 1,409,638.12	$ 599,712.57	$ 2,009,350.69	$ 1,995,347.52
2036	$ 1,491,549.88	$ 608,708.26	$ 2,100,258.13	$ 2,110,994.38
2037	$ 1,580,780.58	$ 617,838.88	$ 2,198,619.47	$ 2,237,282.83
2038	$ 1,664,562.08	$ 627,106.47	$ 2,292,068.54	$ 2,356,425.11
2039	$ 1,756,793.97	$ 636,513.06	$ 2,393,307.03	$ 2,486,395.02
2040	$ 1,843,519.84	$ 646,060.76	$ 2,489,580.60	$ 2,609,136.38
2041	$ 1,938,030.10	$ 655,751.67	$ 2,593,781.77	$ 2,742,698.09
2042	$ 2,027,377.27	$ 665,587.95	$ 2,692,965.21	$ 2,869,352.26
2043	$ 2,124,645.39	$ 675,571.76	$ 2,800,217.15	$ 3,007,016.08
2044	$ 2,216,693.07	$ 685,705.34	$ 2,902,398.41	$ 3,137,291.41
TOTAL	$ 30,247,637.33	$ 15,388,861.40	$ 45,636,398.73	$ 42,809,417.43

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		$ 41,973,276									$ 41,973,276
2017			$ 45,817,161								$ 45,817,161
2018				$ 72,457,996							$ 72,457,996
2019					$ 79,925,635						$ 79,925,635
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										$ 81,623,395	$ 81,623,395
2027										$ 89,620,062	$ 89,620,062
2028										$ 84,090,462	$ 84,090,462
2029										$ 92,225,720	$ 92,225,720
2030										$ 86,882,097	$ 86,882,097
2031										$ 94,908,587	$ 94,908,587
2032										$ 89,250,552	$ 89,250,552
2033										$ 97,670,974	$ 97,670,974
2034										$ 91,948,150	$ 91,948,150
2035										$ 100,515,261	$ 100,515,261
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
	$ 250,000	$ 41,973,276	$ 45,817,161	$ 72,457,996	$ 79,925,635	$ 74,898,039	$ 82,244,240	$ 76,904,276	$ 84,631,468	$ 2,010,678,886	$ 2,569,780,976

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									$ 7,653,587			$ 7,653,587
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											$ 6,653,140	$ 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											$ 7,037,756	$ 8,566,594
2037											$ 7,757,278	$ 9,354,875
2038											$ 7,179,215	$ 8,825,520
2039											$ 7,906,643	$ 9,627,581
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	$ 7,653,587	$ 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
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	$520,695,000.00
SF-C	Single Family 4.5 du/acre	Single Family		697	1344	$190,000.00	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.	$1,633,500.00	$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	1,206,538	28			Acre	$0.00	$0.00
Roadway	Interior ROW	Public Use/ROW	5,424,061	125	152.2		Acre	$0.00	$0.00
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	4,770,220	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
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				$2,091,921,600.00

EXHIBIT "C"

Interlocal Agreement

EXHIBIT "D"

Waivers and Exceptions to the City of McAllen Platting Regulations

To the extent waivers and exceptions to the City of McAllen platting regulations are reasonably required to complete the Project, such waivers shall be deemed granted by the **CITY** provided they are approved by a majority vote of the **ZONE** Board. The **CITY** shall reserve the right to rescind any such waiver provided such action is taken by the **CITY** within seven (7) business days after the waiver is granted by the Board of the Zone and provided the City has received written notice of such waiver (excluding **CITY** holidays).

In addition to any waivers granted through the above process, the following specific waivers and exceptions are hereby granted by action of the **CITY** Commission approving this Agreement:

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.

EXHIBIT "E"

Technology and Fiber Provisions

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Introduction & Terms

1. The special provisions contained in this Exhibit "E" and its Attachments are intended by the Parties to be a part of the overall Development Agreement and shall be binding on each Party and enforceable pursuant to the terms of the Development Agreement and this Exhibit.

2. These special provisions are set forth in three parts:

   Part I – Providing the terms and conditions under which the PID and the Developer shall use one designated and contiguous Buffer Tube (as defined below) of 12 fiber optic strands to connect the Tres Lagos Project's network operations center ("TL-NOC") to the network operations centers located in the Alliance River Crossing Development ("ARC-NOC"), the Bentsen Palm Development ("BP-NOC"), and the network operations center located in the Developer's corporate offices at the Chase Tower in McAllen ("Chase-NOC"), for the benefit of the Project, the PID and the Zone;

   Part II – Providing the terms and conditions under which the City will cause Developer, at no cost to the City, to install and dedicate fiber optic infrastructure to the City, which the City will connect to the City's existing fiber optic network to expand said network, to encourage competition, to increase the value of the City's fiber, and make fiber optic access available to more areas in the City for the public benefit of growing the City's economy and tax base; and

   Part III – Providing other general terms and conditions applicable to this Exhibit "E" and its Attachments and the Parties agreement hereunder.

3. All defined terms in this "Exhibit E" and its Attachments shall have the same meaning as set forth in the Development Agreement to the extent other specific defined terms are not otherwise provided in this Exhibit or its Attachments,

4. All Parties acknowledge that City is acting only in its proprietary capacity and that nothing in this "Exhibit E" or its Attachments shall be considered a waiver of the City's governmental capacity to perform customary regulatory oversight of the activities of the Developer.

PART I – Fiber Optic Connection to the Zone

1. The Parties agree that in consideration of the Developer: a) voluntarily annexing +/- 2,561 acres into the City; b) agreeing to install and dedicate over $220,000,000.00 in public infrastructure to the City; and c) agreeing to install and dedicate of over 800 miles of fiber optic strands to the City for expansion of the City's existing fiber network, the City shall provide the Developer and the PID with the exclusive irrevocable right of use (the "IRU") of the certain fiber optic strands in the black colored buffer tube being one of the 8 color coded

buffer tubes making up the City's fiber optic network (the "Black Buffer Tube"). The IRU held by the PID shall exist for so long as the PID exists, and the IRU held by the Developer shall exist pursuant to the terms and conditions contained in the Infeasible Right of Use Agreement attached hereto as **Attachment 4.** Unless otherwise allowed under Part II of this Exhibit E, the fibers contained in the Black Buffer Tube shall be used by the Developer to connect the Tres Lagos Network Operations Center, which the Developer shall install at "Point A" as identified in **Attachment 1**, which is attached hereto and incorporated by reference as if fully set forth herein, to:

a. The vault located at 200 S. 10th St., McAllen, Texas 78501, to be installed by Developer at "Point B" as identified in **Attachment 1**, which is attached hereto and incorporated by reference as if fully set forth herein;

b. The vault located in the Alliance River Crossing Project, in Donna, Texas, to be installed by Developer at "Point C" as identified in **Attachment 1**; and,

c. The vault located in the Bentsen Palm Project, in Mission, Texas, to be installed by Developer at "Point D" as identified in **Attachment 1**.

2. To facilitate the connection of City's existing fiber optic network to the Zone for the benefit of the Zone and the PID, the City agrees to:

a. Construct a new segment of the Black Buffer Tube and connect the fibers therein between:

i. "Point A" and "Point E", as identified in **Attachment 1**, within six (6) months from the execution hereof - said Point E being the northern extent of the City's existing fiber optic network as of the date hereof; and

ii. "Point B" and "Point F", as identified in **Attachment 1**, within ninety (90) days from the execution hereof - said "Point F" being the termination point of the City's existing fiber optic network that is closest to "Point B" as of the date hereof.

b. Connect "Point G" and "Point H", as identified in **Attachment 1,** to the fibers in the Black Buffer Tube within ninety (90) days from the execution hereof – said "Point G" being a Developer vault to be installed near the intersection of West Military Highway and S. Ware Road, and said "Point H" being a Developer vault to be installed near the intersection of West Military Highway and FM 396.

3. To cause the expansion of the City's existing fiber optic network within the corporate limits of the City, as depicted in **Attachment 1**, and allow such network to be connected to and through the Zone and the Tres Lagos Project, the Developer agrees to construct and dedicate

to the City as part of City's overall fiber optic network a full 96 strand bundle of fiber optic cable of comparable type and quality currently used by City (subject to the Developer's IRU in the Black Buffer Tube therein):

a. Between "Point G" and "Point I" as identified in **Attachment 1**, - said "Point I" being a Developer vault to be installed near the intersection of West Military Highway and S. 10th Street; and

b. Within the rights-of-way in each major collector street built by Developer within the Zone to connect "Point A" and the outside boundaries of the Zone only within such major collector street rights-of-way identified on **Attachment 2**, to be installed at the time each such segment of said major collector street is platted and constructed by Developer.

4. City hereby grants Developer a limited license during the term of the IRU in the portions of the street rights-of-way identified in subsections a. and b. to allow the Developer to install fiber and dedicate it to the City for City's connection to its fiber network; to-wit:

   a. Said rights-of-ways which are highlighted in purple as identified on **Attachment 1** for the purpose of installing the fiber-optic infrastructure under this Agreement and dedicating the same to the City; and

   b. Said rights-of-way located between the City's existing fiber optic network (at the location identified by City) and each pedestal or vault installed by Developer as a connection point. Once installed and dedicated to the City, the City shall connect the fiber in the Black Buffer Tube to the connection point in the respective pedestal or vault within 90 days from the City being notified the pedestal or vault has been installed.

5. The Parties expressly agree that, in consideration for the value received by the City expressed above, the fibers in the Black Buffer Tube in all route segments of the City's fiber optic network between Points A & E, E & B, B & G, G & H, and G & I (hereafter referred to as the "PID Segments" or "PID Points") shall be set aside exclusively for the IRU held by Developer and the IRU held by the PID for providing services to the PID. The PID shall use the required number of fibers within the Black Buffer Tube to provide such services as "fiber-t-the home" technologies, high-speed Internet capabilities, IP Telephony, etc. It is expressly understood that this Agreement relates only to the granting of an IRU to the "dark fiber" in the Black Buffer Tube, and DOES NOT grant a right of service of any nature to any future customers that may be served by the Developer, the PID, or any other party within the City or elsewhere using such dark fiber. The City shall have no obligation to activate or "light-up" the said dark fiber and shall only be responsible for physical maintenance, upkeep, and connections to such fiber located within the Black Buffer Tube within the City fiber network pursuant to the terms of this Agreement, the IRU Agreement and the SLA. The City

agrees that it shall not permit any other connections to or splices into the Black Buffer Tube within the City network during the term of the IRU granted to the PID or the Developer.

6. The City and Developer have agreed to a Service Level Agreement (herein ("SLA") with respect to the level of service to be provided by the City related to the City's Fiber Optic Network which SLA is attached hereto and made a part hereof as **Attachment 5** to this Exhibit E. The Parties expressly agree that all access to and splicing into the Black Buffer Tube in the City limits as of the date of this Agreement shall be exclusively performed by City, or its designated third-party contractors pursuant to the terms of this Agreement, the IRU Agreement, and the SLA.

7. The Parties agree that the Developer shall install as part of this Agreement wireless microwave equipment (transmitters, receivers and repeaters) at sites to be acquired by the Developer (the "Developer Sites") to provide bandwidth redundancy between the PID Points and Points A, B, C, & D, and to provide emergency back-up services (i.e. high-speed Internet access, IP telephony, etc.) to fiber-fed Developer-owned assets (the "Redundancy Equipment"). The City and Developer agree to cooperate in good faith to identify City-owned structures (i.e. fire stations, antennas, water towers, libraries, etc.) that could reasonably be used as a location for Developer to install Redundancy Equipment due to the height or strategic location of such sites (the "City Sites"). Any use of a City Site by Developer for installation of Redundancy Equipment shall be subject to terms and conditions contained in a separate site specific license agreement to be negotiated in good faith between the Parties. In return for the City agreeing to allow the Developer to use up to five (5) City Sites for the installation and operation of Redundancy Equipment, the Developer agrees at each said City Site to:

    a. at the City's request, deliver back-up wireless service(s), where available, at the actual pro rata cost paid by Developer for such service from the provider;

    b. jointly identify up to Five (5) Developer Sites on which Developer will provide City a back-up wireless service connection for use by the City as a connection point along the City Network to the City owned fibers serving the City owned buildings and facilities at the actual pro rata cost paid by Developer for such service from the provider.

    The City Sites and the Developer Sites to be agreed on by the parties for providing signal redundancy hereunder (the "Redundancy Structures") shall be listed on **Attachment 3** hereto, which is attached hereto and made a part hereof. The Parties expressly agree that said **Attachment 3** may be amended from time to time as mutually agreed to by the Parties. Approval of the City and the Developer to any such amendment shall be reflected in writing dated and signed by both the City Manager and the authorized agent of the Developer.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

8. The Parties agree that the work performed by the Developer and the City in extending the fiber-optic network in Sections 1, 2, 3, and 7 above shall be reimbursable to the Party incurring the same from the ZONE (as defined in the Development Agreement), and that the City will have a priority of reimbursement for the cost of fiber installed by the City hereunder (*see* Section 3.7.2 of the Development Agreement). To the extent that any of such costs have not been previously identified and included in the original TIRZ Project and Finance Plan, the Parties agree to revisit these costs as they are identified and consider presentation of a request to the Board of Directors for the ZONE for approval of a non-Material Modification to the Project Plan and Finance Plan to allow reimbursement of said costs.

PART II- Expansion of City Fiber Network

1. As a condition of this Agreement, and in furtherance of the benefits to be conveyed to the City hereunder, the Parties agree as follows:

    a. Inner-City Limits Expansion. Developer shall have an IRU under the terms of the IRU Agreement attached hereto. The City will perform services and maintenance of the City fiber in which the Developer holds an IRU under the terms of the attached SLA.

    b. Outer-City Limits Expansion
        1. Both Parties agree that upon expansion of their respective networks outside the City limits in public rights-of-way, the expanding Party (the "OCL Owner") agrees to give the other Party (the "OCL Tenant) an IRU in one Buffer Tube containing 12 strands of fiber in the respective expanded network together with a corresponding license for access, maintenance, and use, thereof (Developer shall be assigned the Black Buffer Tube of the City's outer City limit infrastructure);

            a. The obligation of the Developer to comply with this Section 1.b. of Part II hereof shall only apply to fiber optic infrastructure in public rights-ofway that is extended by the Developer outside the City's corporate limits that is connected to:

                1. the City's existing fiber optic network; or

                2. a City-owned facility (i.e. international bridge or rail yard) that is existing or proposed to be constructed by or in partnership with City that can be connected to the City-owned fiber optic network or used to create an overall loop for redundancy of the City fiber network.

        2. Both Parties agree that an IRU provided by an OCL Owner to an OCL Tenant under this Part II shall be on the same terms and conditions contained in the IRU Agreement and the SLA, and such terms shall

govern and apply to an OCL Tenant's use of the OCL Owner's Fiber. For the purpose of applying this section, the terms of the IRA Agreement and SLA will be considered modified as follows: the term "City" shall be replaced with the term "OCL Owner" and the term "Developer" shall be replaced with the term "OCL Tenant", and all addresses and parties requiring to make or receive payment shall also be modified in a like manner.

PART III - General Terms and Conditions

1. To facilitate the intent of the Parties under this Agreement, at the time the tracts within the Project are platted, the City agrees the Developer shall:

    a. Dedicate and show all necessary easements in the plat of every unit of the Project to allow installation of the infrastructure required to provide Fiber-to-the-Home and bundled services within the ZONE;

    b. Install and or provide the required NOC's, co-location facilities, smart poles, and fiber backbone facilities required to support the provision of Gigabit Internet capability via fiber optic strands, and provide a WiFi network capable of providing wireless signal in designated areas throughout the Zone;

    c. Design and install a network of interconnected security cameras located in each phase of the Development to allow for video monitoring and video feeds with images to be collected and stored at the Tres Lagos NOC and/or dedicated cloud storage facility;

    d. Include a "Technology Easement" on each plat filed within the Zone at the time of submittal to the City. The Technology Easement shall have two components, the first being an easement located within and adjacent to the perimeter of the outside boundary of each unit platted; and the second being a non-exclusive easement held by the Developer and the PID and located within the right-of-ways identified on the plat for the purpose of allowing the co-location of technology, including but not limited to surveillance cameras, Wi-Fi facilities, fiber optic, etc., as well as the maintenance, replacement, ingress and egress required for the use, operation and upkeep of said facilities. The above notwithstanding, after initial installation and platting, the Developer may only have access to the Black Buffer Tube within the City-owned fiber network by following the provisions set out in IRU Agreement and the SLA.

2. The City shall not have any responsibility for the installation or maintenance of the Smart Poles within the Project, and the City shall agree to allow the Developer to convey such facilities to the PID at the time of platting. The City will agree to reimburse the PID a mutually agreed upon flat rate per pole comparable to the rate the City would ordinarily pay for electrical power consumption elsewhere in the City.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

3. Both Parties agree to respect and observe any pre-existing easements within the Zone when platting and developing the Project and or reviewing, regulating, and approving such development. It is the specific intent of the City that nothing in the platting of or establishment of City-owned easements over the property shall be used to prevent any future resident from obtaining communications services from the provider of their choice.

4. In the event that either party causes harm or damage to the other party's fiber optic strands within the PID during the process of the operation of their respective fiber optic strands or otherwise, the damaging party shall notify the damaged party immediately and shall be responsible for the cost of all necessary splicing and/or repair of the damage caused.

5. In addition to the 96 strands of fiber that is to be built by the Developer and dedicated to the City ("City's Fiber Bundle"), Developer may install other discreet bundles or cables containing fiber optic strands within the PID. Such additional discreet bundles or cables installed by the Developer within the PID must be clearly marked (the "Developer's Fiber Bundles") and may be installed within the same conduit containing the City's Fiber Bundle. The Developer and its agents may access the Developer's Fiber Bundle at any time without consultation with the City; however the City's fiber bundle MAY NOT BE ACCESSED by Developer unless the Developer or its agents follow the requirements of the IRU Agreement and the SLA.

6. The Parties expressly agree that the City shall have no liability related to or obligation for maintenance, control, or operation of the technology infrastructure or facilities conveyed, leased, or licensed by the Developer to the PID under this agreement (including the security cameras, smart poles, NOC's and associated buildings, structures, right-of-ways, or easements); and, that all such obligations shall be assumed by the PID or the Provider selected by the PID to perform such functions.

7. The Parties agree that after construction and dedication of streets and rights-of-way within the Zone to the City by the Developer, to the extent permitted by law, the City shall not allow the future cutting of: streets, curbs, gutters, and/or driveways by any third parties for the installation of future utilities unless such cutting is required for emergency repairs. Again, to the extent permitted by law, the City agrees that all such new utilities to be installed within the Project after platting must be done through boring performed after mandatory location of all existing utilities and technology improvements. This provision shall not apply to emergency repairs carried out by the City, the PID, or any other public utility in the event such emergency repairs are needed to prevent imminent harm or damage. Further, this provision shall not apply to any holder of an easement which existed prior to the time of platting and dedication or any party that by right of law has access to the public rights-of-way of McAllen.

[Attachments start on following page]

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

ATTACHMENT 1 (Pg. 1)

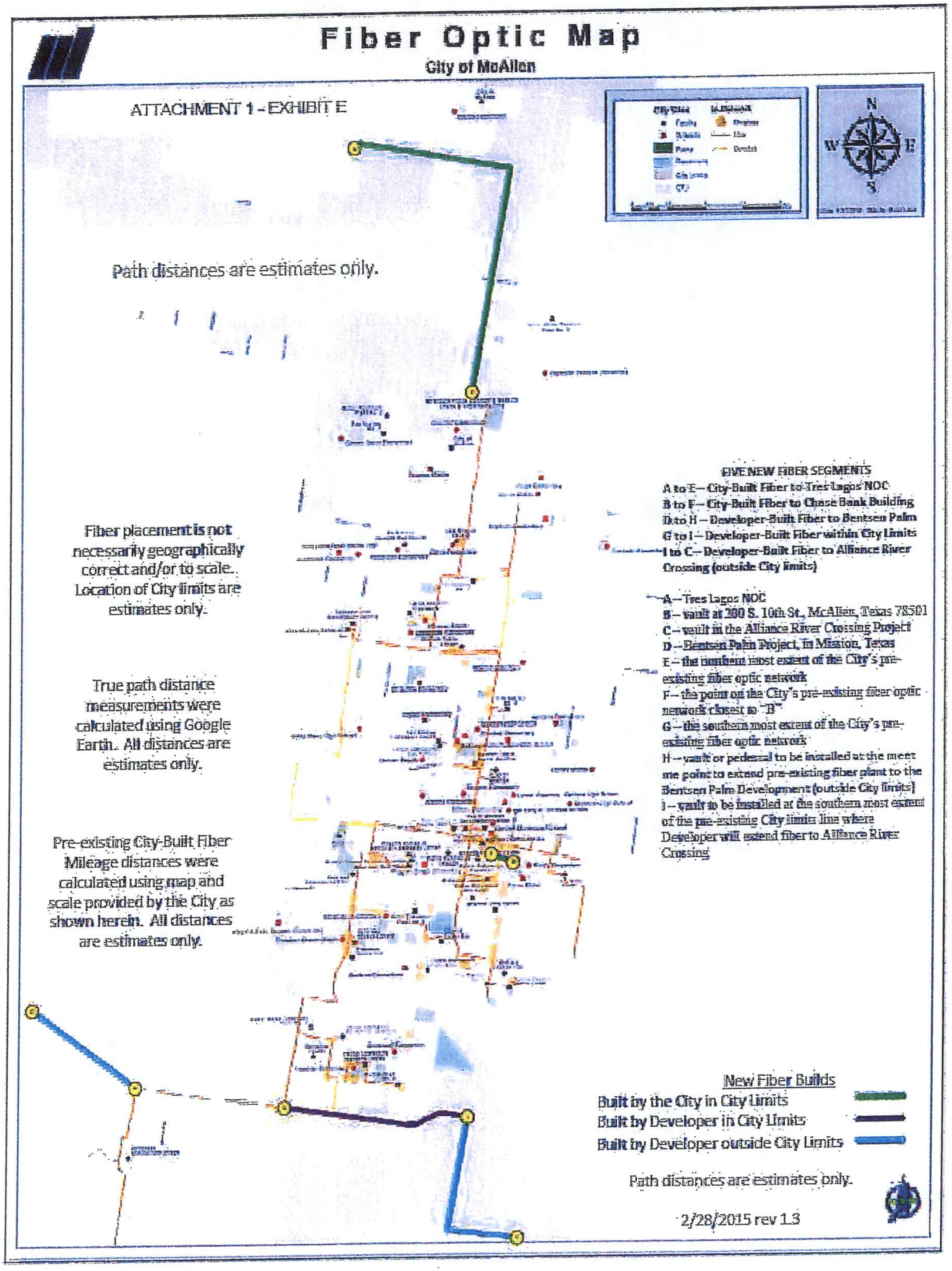


Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

ATTACHMENT 1 (Pg. 2)

[4]Fiber Path Mileage Totals

Path	Underground Mileage	City-Built Fiber Count Granted to Developer	City-Built Fiber Miles Granted to Developer	[5]Developer-Built Fiber Count Granted to City	Developer-Built Fiber Miles Granted to City
[1]A to E	5.10	12	61.20		0.00
[1]B to F	0.29	12	3.48		0.00
[1]D to H	5.10		0.00	12	61.20
[1]G to I	1.99		0.00	84	167.16
[1]I to C	16.09		0.00	12	193.08
[2]Existing City-Built Fiber	29.50	12	354.00		0.00
[1]A to P	1.00		0.00	84	84.00
[1]P to Q	1.10		0.00	84	92.40
[1]A to R	1.00		0.00	84	84.00
[1]A to S	2.91		0.00	84	244.44
	Total Fiber Path Miles		418.68		926.28
	[3]Total Fiber Value		$218,061.10		$482,434.41

[1] True path distance measurements were calculated using Google Earth. All distances are estimates only.

[2] Pre-existing City-Built Fiber Mileage distances were calculated using map and scale provided by the City. All distances are estimates only.

[3] Total Fiber Value is based on the new build cost of $50,000 per mile. $50,000 / 96 strands = $520.83 per strand mile

[4] Total Fiber path mileage (and Value) does not include additional Developer-Built Fiber Miles to be Granted to the City in association with the Hidalgo County Regional Mobility Authority ("HCRMA") Short Term Strategic Plan 2014-2022. This future build may or may not take place and is not a guarantee or commitment to be included in this Agreement. The Developer and the City will work closely together in an effort to secure this contract. In the event that the Developer is successful in procuring this contract and extends fiber within the HCRMA, then the Developer will grant 12 fiber strands within the Developer-Built fiber count to the City. (Refer to Exhibit E, Attachments).

[5] Total Fiber path mileage (and Value) does not include additional Developer-Built Fiber Miles to be Granted to the City in association with future fiber plant extensions within the public right of way inside City limits to deliver services to new customers.

2/28/2015 rev 1.3

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

ATTACHMENT 2

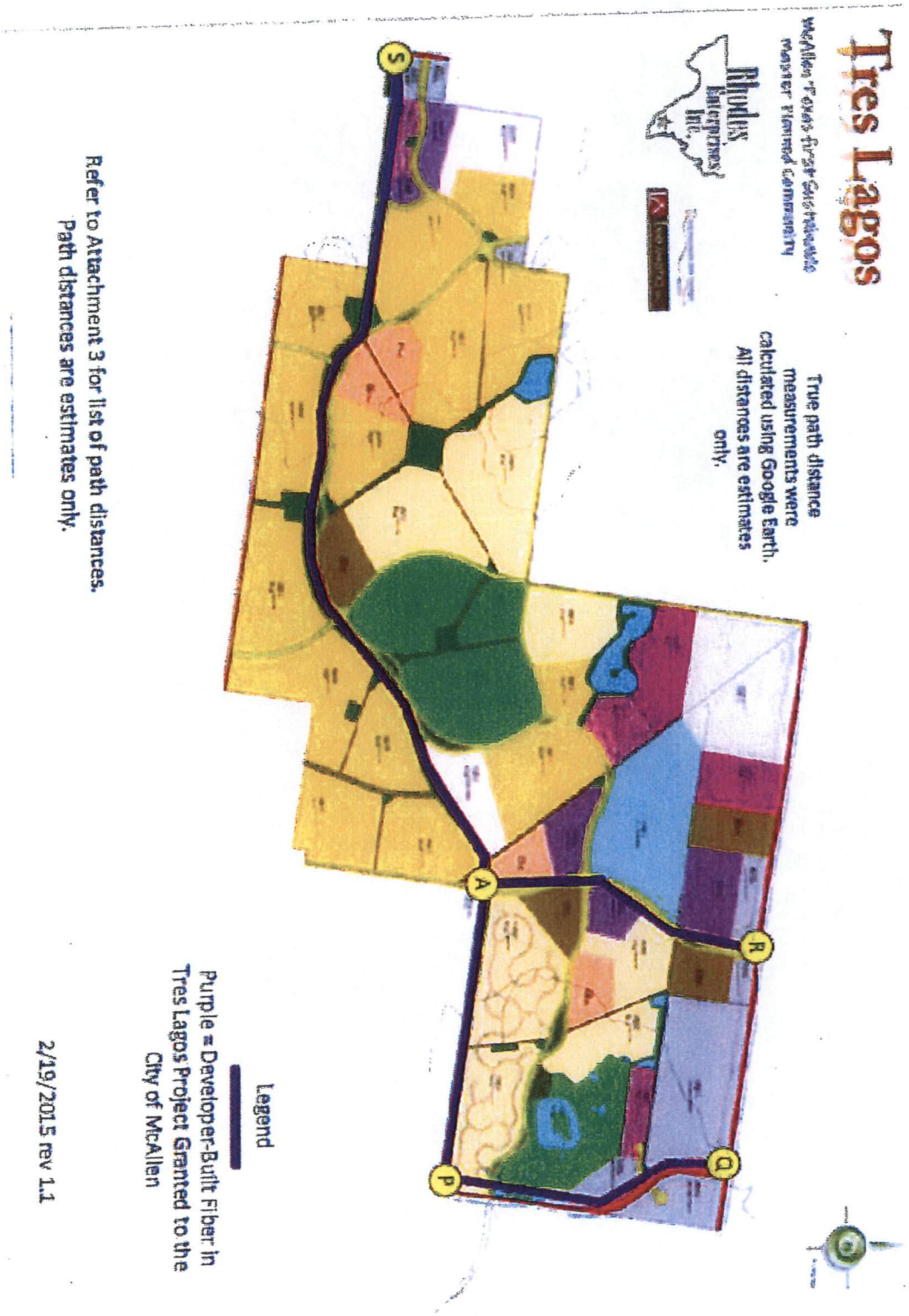


Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

ATTACHMENT 3

List of Redundancy Structures

Point No.	Address or Location of Structure	Owner/Controller	Contact Point & Number
1	Trade Zone water tower, Location: Military and Ware Rd.	City/MPUB	956-681-1700
2	S. McColl Water Tower, Location: 2051 S. McColl Rd.	City/MPUB	956-681-1700
3	Dove water tower, Location:, Dove and 23rd St	City/MPUB	956-681-1700
4	Nolana water tower, Location: Nolana and 6th St	City/MPUB	956-681-1700
5			
6			
7			
8			
9			
10			

The City and Developer hereby confirm that the above points shall be used for the installation and operation of Redundancy Equipment pursuant to the terms of the Development Agreement and Exhibit "E", thereto. All such use shall be limited by and subject to the separate License Agreement between the Parties related to such matters.

Executed and agreed to by the Parties authorized agents on the 9th **day of** March, **2015.**

CITY:

By: _____

Jim Darling
Printed Name

Mayor
Title

DEVELOPER:

By: _____

Mike Rhodes
Printed Name

Pres Rhodes Enterprises, Inc
Title

RHODES ENTERPRISES, INC. CORPORATE SEAL 1994 TEXAS

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

ATTACHMENT 4 to EXHIBIT E

INDEFEASIBLE RIGHT OF USE AGREEMENT

THIS INDEFEASIBLE RIGHT OF USE (IRU) AGREEMENT (the "Agreement") is effective this 9th day of March, 2015 (the "Effective Date"), by and between the City of McAllen, Texas, a Texas Home Rule Municipality, acting by and through its duly elected City Commission, and having its principal offices at 1300 Houston Avenue, McAllen, TX 78501 (hereinafter, "City"), and Rhodes Enterprises Inc., a Texas Corporation with its principal offices at 200 South 10th Street, McAllen, TX 78501 (hereinafter, "Developer"). Collectively, City and Developer may be referred to as "the parties" or individually as "a party."

WHEREAS, City owns Cable containing Fibers, and will construct or cause to be constructed Cable containing Fibers, and City will accept dedication of Cable containing Fibers along the Route specified in Exhibit A; and

WHEREAS, Developer desires to acquire from City an exclusive and indefeasible right of use in certain fibers located in the Cables along the Route.

NOW, THEREFORE, in consideration of the mutual promises set forth below, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. DEFINITIONS

Capitalized terms not otherwise defined herein shall have the following meanings:

1.1 Acceptance. Defined in Section 5.1.2.

1.2 Acceptance Testing. Defined in Section 5.1.

1.3 Acceptance Date. Defined in Section 5.1.2.

1.4 Access Point(s). Each splice point(s) on the Trunk Route, as determined by Developer, where an Access Point Route connects to the Trunk Route, and any other splice point(s) or handholds along the Route, as determined by Developer. Access Points where Access Point Routes connect to the Trunk Route are identified in Exhibit A.

1.4 Associated Rights. Defined in Section 2.1.

1.5 Cable. Fiber optics cable owned and controlled by City with fibers (contained in industry-standard jacketing or sheath) in the Trunk Route and or Route which makes up the portion of the fiber optic network owned by the City.

1.6 Claim. Any claim, liability, suit, action, proceeding, demand, assessment, judgment, cost, expense or other damage.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

1.7 Connections. The joinder at splice boxes or protective fiber enclosures of the Developer Fibers to the Developer Equipment across the Demarcation Points located along the Route.

1.8 Customer. Any third party (save and except those located in the Zone) to whom Developer provides lit bandwidth and/or other connectivity and network services using, in whole or in part, the Developer Fibers.

1.9 Demarcation Point(s). Locations at which Connections are made. Demarcation Points shall be located at the Endpoints and other points along the Route as the parties may mutually agree.

1.10. Endpoints. Physical locations along the Route described in Exhibit A.

1.10 Effective Date. The execution date of this Agreement as set forth in the preamble.

1.11 Equipment. The power, electronic and optronic equipment, including repeaters, junctions, patch panels, alarm monitoring equipment and other equipment necessary to provide a network of fiber optics transmission capacity located on either side of the Demarcation Points. The word "equipment" when not capitalized refers to equipment of any type.

1.12 Event of Default. Defined in Section 10.5 below.

1.13 Fibers. The fiber optic strands contained in the Cable.

1.14 Fiber Specifications or Specifications. Defined in Exhibit C.

1.15 Government. The United States government and any department, agency or instrumentality thereof.

1.16 IRU Fee. Defined in Section 3.1 below.

1.17 Indefeasible Right of Use or IRU. An exclusive, irrevocable, and indefeasible right to use certain Fibers subject to the terms and conditions of this Agreement.

1.18 Insolvent. The occurrence of any of the following events, whereby a party: (i) becomes or is declared insolvent or bankrupt; (ii) is the subject of any proceedings related to its liquidation, insolvency or the appointment of a receiver or similar officer for it; (iii) makes an assignment for the benefit of all or substantially all of its creditors; or (iv) enters into an agreement for the composition, extension or readjustment of all or substantially all of its obligations.

1.19 Maintenance. Defined in Section 8.1, below.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

1.20 Developer Equipment. Equipment installed by Developer on the Premises Side of the Demarcation Points, and any fiber optic strands or other transmission facilities connected to Developer Fibers at any Endpoints or Access Points.

1.21 Developer Fibers. The twelve (12) Fibers in the black protective sheath contained within the Cable owned by the City along the Trunk Route and twelve (12) Fibers in the black protective sheath contained within the Cable owned by the City along each of the Access Point Routes. The number of Developer Fibers may be increased or decreased by mutual written agreement.

1.22 Network. The fiber optics network operated by City, a portion of which includes the Route.

1.24. Impositions. All taxes, fees, levies, imposts, duties, charges or withholdings of any nature (including, without limitation, franchise, license and permit fees), together with any penalties, fines or interest thereon arising out of the transactions contemplated by this Agreement that are imposed upon the Developer Fibers by any federal, state or local government (save and except City) or other public taxing authority, but shall not include taxes, fees or similar levies based on income or calculated based on revenues derived by Developer from the Network. All taxes, fees, levies, imposts, duties, charges or withholdings of any nature (including, without limitation, franchise, license and permit (fees), together with any penalties, fines or interest thereon arising out of the transactions contemplated by this Agreement that are imposed exclusively upon the Developer by City shall only be charged pursuant to this Agreement, or a written amendment hereto.

1.23 Network Side. The side of the Demarcation Points at the Endpoints described on Exhibit A on which City will place its Equipment and connect the Developer Fibers to the Developer Equipment.

1.24 Premises Side. The side of the Demarcation Points on which Developer connects its Equipment to the Developer Fibers.

1.25 Protective Fiber Enclosure(s). The handholes or other enclosures, as agreed upon by the parties, installed at the Demarcation Points.

1.26 Route. The Trunk Route and the Access Point Routes, collectively.

1.30. Route Mile. The actual number of linear route miles traversed by the Cable as constructed along the Route, and based on the As-Built Drawings, without regard for the number fiber strands therein.

1.27 Structures. The structures supporting the Cable, including poles, risers, attachment and suspension hardware, and associated civil works located on or in easements, street licenses, rights-of-way and/or property underlying the Route.

1.28 Term. Defined in Section 2.2, below.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

1.29 Trunk Route. The segment of the Route from and between Points A, B, E, F, G, H and I as depicted and, and being the distance in miles as specified in Exhibit A.

1.30 Access Point Route(s). Each route extending from Access Points along the Trunk Route to the Endpoints specified in Exhibit A.

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

1.32 PID. The Public Improvement District for the Tres Lagos 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.

2. INDEFEASIBLE RIGHT OF USE

2.1 Effective upon the Acceptance Date and upon Developer's payment of the IRU Fee, City grants to Developer an IRU that includes (1) the exclusive, indefeasible right to use Developer Fibers along the Trunk Route and the Access Point Routes for any lawful purpose, including but not limited to, the transport of telecommunications signals, whether for itself or its Customers; (2) the exclusive right for Developer to connect Developer's Equipment to the Developer Fibers at the Demarcation Points and Access Points, and (3) the non-exclusive rights: (a) to access and use the Cable and the Structures, (b) to access the Chase Bank network operations cabinet location, and other locations as the parties may mutually agree to connect Developer's Equipment, other telecommunications services or facilities to the Trunk Route, and (c) to use Developer's Required Rights ("the Associated Rights"). Collectively, these exclusive rights and the Associated Rights constitute the "Developer IRU." The above notwithstanding, this Agreement shall be effective upon its execution by the Developer and City provided the Developer has complied with the requirements of section 3.1 (a) thru (c), which compliance shall be evidenced by Developer's execution of the Development Agreement with the City for the development of the Zone.

2.2 The Developer IRU is granted on the terms of and is subject to the covenants and conditions set forth herein.

(a) The term of the Developer IRU shall be for twenty five (25) years from the Acceptance Date (the "Term").

(b) This Agreement may be renewed for up to four (4) periods of twenty five (25) years, each ("a Renewal Term").

(c) Providing that neither party is in default, the Term of this Agreement shall be automatically extended for each allowed Renewal Term without further action unless the City notifies the Developer of its intent not to automatically

renew the Agreement. To be effective a notice of non-automatic renewal must be in writing and must be served on the Developer by certified mail at least 180 days, but no less than 90 days, prior to the expiration of the Term or each Renewal Term, as applicable. If a notice of non-automatic renewal is properly and timely served hereunder, then any further renewal shall be upon such terms and conditions as may be mutually agreed to and approved by the parties in writing.

(d) If the parties do not agree to renew the Agreement, upon the expiration hereof, the Developer IRU shall cease upon ninety (90) days' notice by either party to the other at which time Developer may not access or maintain Connections to any Fibers along the Route and its Associated Rights shall cease. A termination of this Agreement shall have no effect on the Developer's right to access or maintain Connections to any Fibers that are located within the Zone and that are used to provide service within the Zone.

2.3 The Developer IRU granted herein does not convey to Developer any legal title to any real or personal property interest in any portion of the Developer Fibers, the Cable, the Structures or the Network, which are owned by City, or which become owned by the City during the term of this Agreement through dedication, donation, grant, or purchase.

2.4 The Developer IRU granted herein does not provide Developer with any right to physically access, control, modify, replace, relocate or encumber the Developer Fibers or the City Network, except as expressly set forth herein. Developer may not physically access the City-owned portions of the Network, including but not limited to the Trunk Route, the Access Point Routes or enter onto any City-owned property underlying the Network, except as provided herein. For the avoidance of doubt, the foregoing shall not limit the right of Developer to access the Developer Fibers and Equipment on the Premises Side of the Demarcation Points and at the Access Points.

2.5 City will not maintain or repair the Developer Fibers, except as provided in Service Level Agreement attached hereto and made a part hereof as Exhibit B.

2.6 Operations. Each party shall have full and complete control and responsibility for determining any network and service configuration or designs, routing configurations, regrooming, rearrangement or consolidation of channels or circuits and all related functions with regard to the use of that party's fiber.

2.7 Equipment. Developer acknowledges and agrees that City is not supplying nor is City obligated to supply to Developer any optronics or electronics or optical or electrical equipment or other facilities, including without limitation, generators, batteries, air conditioners, fire protection and monitoring and testing equipment, all of which are the sole responsibility of Developer, nor is City responsible for performing any work other than as specified in this Agreement.

2.8 The parties shall mutually cooperate to take such additional action as may be reasonably necessary or appropriate to document and publish their respective rights under this Agreement, including the execution and acknowledgement of a memorandum

of IRU (or similar document) for recordation in the appropriate governmental office or for transmittal to service providers to constructively notify third parties of the rights granted hereunder.

3. PAYMENTS

3.1 Developer agrees to pay City the equivalent of an IRU fee of One Million Eight Hundred Fourth-Four Thousand and No/100 Dollars ($1,844,000.00) (the "IRU Fee"). All Parties agree that this fee will be met through Developer:

(a) voluntarily annexing +/- 2,561 acres into the City;

(b) agreeing to install and dedicate of over $220,000,000.00 in public infrastructure to the City; and

(c) agreeing to install and dedicate no less than 800 strand miles of fiber optic strands to the City for expansion of the City's existing fiber network.

(d) agreeing to the TIRZ reimbursing the City's cost (as set forth in the Project and Finance Plan) as necessary to make all the required connections for the PID to deliver services to the Zone.

3.2 In addition to the fees provided for in Exhibit B, Developer also agrees to pay City as an annual "Maintenance Fee of 5% of gross revenues generated by the Developer Fibers from the Developer's Customers within the City limits, save and except those located within the PID, for Maintenance during the Term. This Maintenance Fee will not apply to Developer Fibers or Customers located outside of the City limits as such limits existed on December 21, 2014, or to Developer Fibers to the extent they are used to serve the PID.

3.3 Payments made to City are non-refundable, except as provided herein.

3.4 Payments made to City shall be made by company check to the City of McAllen, and shall be have the following memo: "For Deposit to City of McAllen Fiber Fund" and shall be delivered to City at the following address:

CITY OF MCALLEN
c/o Accounts Receivable
1300 Houston Avenue
McAllen, TX 78501

The method of payment and the above address is subject to change from time to time upon notice to Developer.

3.5 In the event Developer fails to make any payment under this Agreement when due, such amounts shall accrue interest from the date such payment is due until paid in full, including accrued interest, at a monthly rate equal to 1.0 percent (1.0%).

3.6 Splicing Charge is addressed in Service Level Agreement attached hereto as Exhibit B.

3.7 The provisions of section 2.1 above notwithstanding, this Agreement shall be effective upon its execution by the Developer and City provided the Developer has complied with the requirements of section 3.1 (a) thru (c), which compliance shall be evidenced by Developer's execution of the Development Agreement with the City for the development of the Tres Lagos Project.

4. REQUIRED RIGHTS

4.1 City shall be solely responsible for and bear fully and exclusively the costs of obtaining and maintaining during the Term (subject to Section 9 - Relocation and Eminent Domain), all rights-of-way, easements, access rights, permits, licenses, and governmental authorizations required by applicable law or otherwise necessary for the construction, installation, operation, and maintenance of the Network and the Developer Fibers and the Developer IRU granted to the Developer under this Agreement (the "Required Rights").

4.2 The foregoing notwithstanding, the Developer IRU is subject to the terms, conditions, limitations, restrictions and reservations of the Required Rights, including but not limited to, covenants, conditions, restrictions, easements, reversionary interests, bonds, mortgages and indentures, and other matters, whether or not of record, and to the rights of tenants and licensees in possession. Nothing herein shall be construed to be a representation, warranty or covenant that City possesses all Required Rights for the Route or of City's right, title or interest with the respect to the Required Rights, all of which are disclaimed. The above notwithstanding, during the Term hereof the City agrees that it shall take no action that is intended or designed to cause harm to Developers rights under this Agreement, and that it shall fully consider its obligations under this Agreement, and Developer's reliance thereon, when taking any future action that may cause harm to the Developer or a disruption to the services provided by Developer or the City-owned fiber used by Developer hereunder.

4.3 Compliance. Developer agrees to use the Developer Fibers only in a manner consistent with the Required Rights, and agrees that its rights shall in all respects be subject to the terms and conditions of the Required Rights. Developer agrees not to intentionally cause or allow to be caused any default under the Required Rights.

4.4 Access. Throughout the Term hereof, Developer is solely responsible for securing and maintaining permission to access the Premises Side of the Demarcation Points except, the Redundancy Structures (as defined in Exhibit E to the Development Agreement) and such other locations as the parties may agree.

5. INSTALLATION AND ACCEPTANCE

5.1 Following payment of the first installment of the IRU Fee, City shall coordinate with Developer in good faith on the configuration of the splicing of the Developer Fibers in the Trunk Route to the Developer Fibers in the Access Point Routes.

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

City shall perform fiber acceptance testing of the Developer Fibers along Trunk Route and Access Point Routes and provide test deliverables in accordance with Exhibit C ("Acceptance Testing") for verification that such testing complies (or does not comply) with the Fiber Specifications. Developer shall have the right to be present for such testing. In the event that City fails to provide test deliverables to Developer within thirty (30) days following payment of the first installment of the IRU Fee, Developer shall have the right but not the obligation to terminate this Agreement, or in the alternative to pay for such testing to be done by a properly trained testing company, and to provide the results of the testing to the City. In the event the Developer is required to have such remedial testing preformed, the Developer shall be entitled to reimbursement by the City for the cost thereof in the form of an offset against the Maintenance Fee charged hereunder.

5.1.1 If the Acceptance Testing indicates that any portion of the Developer Fibers along the Trunk Route or the Access Point Routes does not meet the Acceptance Testing criteria set forth in Exhibit C, City shall take such action as shall be reasonably necessary to cause such portion of the Developer Fibers to meet the Acceptance Testing criteria.

5.1.2 The date upon which Developer provides City with written notification of Acceptance for all of the Developer Fibers along the Trunk Route and Access Point Routes shall be the Acceptance Date of the Developer Fibers. If Developer fails to provide City with any written notice of Acceptance or Rejection within the ten (10)-business-day period after receiving the test results or deliverables from City, then Developer will be deemed to have provided its Acceptance of such Fibers.

5.2 Developer shall pay to install, construct, maintain, repair and otherwise be responsible for Developer's Equipment on the Premises Side of the Demarcation Points and at Access Points.

6. USE OF THE DEVELOPER FIBERS

6.1 Developer represents and warrants that its use of the Developer Fibers shall comply with all applicable laws, ordinances, rules, regulations and restrictions. Developer shall use commercially reasonable efforts to require its Customers to comply with all applicable laws, ordinances, rules, regulations and restrictions.

6.2 Developer shall keep the Developer Fibers free from any liens, rights or claims of third parties attributable to Developer, its Customers, and/or its use of the Trunk Route and the Access Point Routes. If Developer breaches its obligations under this Section 6.2, it shall immediately notify City in writing, shall promptly cause such lien to be discharged and released of record without cost to City, and shall indemnify City against all costs and expenses (including reasonable attorneys' fees and court costs at trial and on appeal) incurred in discharging and releasing such lien.

6.3 Developer shall be responsible for the configuration and operation of Developer's Equipment and its use of the Developer Fibers, including but not limited to

supplying, maintaining, testing, repairing and replacing all Premises Side accessories, facilities and Equipment necessary for Developer's use.

6.4 Developer shall comply with City's operating procedures and interconnection requirements, as updated from time to time, provided that any such updated operating procedures and interconnection requirements have been previously provided to Developer. True and correct copies of City's operating procedures and interconnection requirements as of the Effective Date shall be provided to Developer within thirty (30) days of the execution of this Agreement.

6.5 No use, however extended, of the Developer Fibers, or payment of any fees under this Agreement by Developer, shall create or vest in Developer any ownership or property rights in the City-owned portions of the Network or Developer Fibers except as set forth herein.

7. FACILITIES AND CONNECTIONS

7.1 Developer's Equipment must be located on the Premises Side of the Demarcation Points or at Access Points. Developer's Equipment shall at all times remain the sole property of Developer. Neither Party shall make any representations or take any actions inconsistent with Developer's ownership of said equipment or facilities.

7.2 The Trunk Route, Access Point Routes, certain Access Points, and the Endpoints are depicted on Exhibit A.

7.3 Developer shall not be obligated to pay for any Equipment on the Network Side of the Demarcation Points. City shall not be obligated to pay for any Equipment (including installation and maintenance charges) on the Premises Side of the Demarcation Points.

7.4 Within thirty (30) days of the Acceptance Date, Developer shall provide as-built drawings for the Route consistent with the requirements set forth in Exhibit D.

7. A. IMPOSITIONS

7.A.1 In addition to the IRU Fee and other amounts set forth in this Agreement, Developer agrees to pay its share of Impositions. The parties agree to cooperate with each other (a) to minimize the aggregate Impositions payable with respect to the Network that includes the Developer Fibers, and (b) to share such Impositions according to their respective interests in the Network along the Route.

7.A.2 City Payment. Developer shall be responsible for and shall timely pay any and all Impositions with respect to the construction or operation of the portion of the Network along the Route which Impositions are (a) imposed or assessed prior to the Acceptance Date; or (b) imposed or assessed in exchange for the approval of the original construction of the Network along the Route; or (c) that were assessed in return for the original right to install the Network along the Route on public property or in public right-of-way.

7.A.3 Developer's Obligations. Except as to Impositions described in Section 7A.2, following the Acceptance Date, Developer shall be responsible for and shall pay all third party Impositions (a) imposed on, based on, or otherwise measured by the gross receipts, gross income, net receipts or net income received by or accrued to Developer with respect to the ownership or use of the Developer Fibers; or (b) which have been separately assessed, allocated to, or imposed by reference to the Developer Fibers; or (c) which are imposed, based on, or otherwise measured with respect to construction services performed by City for Developer. In addition, Developer shall pay its allocable share of any Impositions imposed on the conduits, manholes and hand holes that are part of the Network along the Route that are used in connection with the Developer Fibers or the cable of which the Developer Fibers are a part. To the extent the Impositions on the Developer Fibers are not separately assessed, allocated to or imposed on the Developer Fibers, Developer will pay City for only the Developer's allocable share of all such Impositions. For purposes of this Section 7.A.3., the "allocable share" shall be based on the ratio of the number Developer Fibers within the Cable owned by the City to the total number of Fibers in the Cable owned by the City along the Route, the Trunk Route or one more Access Point Routes, as applicable.

7.A.4 Cooperation. City and Developer agree to cooperate fully in the preparation of any returns or reports relating to the Impositions, and in the efforts of either party to contest an Imposition.

8. SPECIFICATIONS AND MAINTENANCE

8.1 City shall perform all routine maintenance, emergency restoration, and locate services for the Network, the Network Side Equipment, the Demarcation Points, the Connections, and the Trunk Route and the Access Point Routes including the Developer Fibers, at its own cost and expense ("Maintenance"). City shall ensure that the Route and the Network Side Equipment are maintained in serviceable condition in accordance with industry standards and practices, and the Specifications, and shall have sole responsibility for the completion of emergency repairs to the Developer Fibers, Network, Demarcation Points, Connections, and the Network Side Equipment. Maintenance and repairs shall be completed pursuant to the standards set forth in Exhibit B.

8.2 City has the right to contract with third parties in the performance of its obligations under this Agreement. The use of any such contractors, subcontractors, or designees shall not release Developer from any of its obligations under this Agreement. The City and its contractors shall be liable for any damage caused to the equipment or fiber owned by Developer and located on the Premises Side of the City Network; and, the City shall require its contractors to be insured and bonded adequately to assure they are capable of timely paying for any damage caused to Developer or its equipment or fiber in performing services on behalf of the City.

8.3 City and Developer each shall work together in good faith to prevent damage to each other's equipment and to each other's ability to use the Network. Developer shall not use equipment, technologies, or methods of operation that interfere in

any way with or adversely affect the Network, or City's use of the Network to transmit their own signals. Developer shall not use equipment, technologies, or methods of operation that interfere in any way with or adversely affect any third party's use of the Network. City shall manage the Network such that a third party's use of the Network or Developer's or an affiliate's use of the Network does not interfere with or adversely affect Developer's use of the Developer Fibers.

8.4 If, at any time during the Term or subsequent Renewal Term, any of the Developer Fibers fail to operate in conformance with the Specifications, Developer shall provide notice of such failure, and within thirty (30) days thereafter City shall correct such failure or replace such failing Developer Fiber(s) with other fibers in the Cable containing the Developer Fibers which are capable of functioning in accordance with such Specifications ("Substituted Fibers"). Such Substituted Fibers shall thereafter be Developer Fibers for all purposes of this Agreement and the replaced failed fibers shall revert to City and Developer shall have no further rights with respect thereto. If City is unable to correct or replace the failed Developer Fibers within thirty (30) days from the date of Developer's notice, Developer may, with the pre-approval by City of the expense (which approval shall not be unreasonably withheld, conditioned or delayed), procure substitute assets (including pulling new fiber in existing City-owned conduit) at Developer's expense, and this Agreement shall continue in full force and effect as to the remaining Developer Fibers and Associated Rights. In the event that City is unable to correct or replace the failed Developer Fibers, and Developer is unable to procure substitute assets under this section, City and Developer shall expeditiously negotiate in good faith a reasonable in-kind compensation to be paid by City to Developer for the loss of the failed Developer Fibers.

9. RELOCATION AND EMINENT DOMAIN

9.1 In the event that any portion of the Network that includes the Trunk Route and/or the Access Point Routes, or the Demarcation Points, needs to be relocated, replaced or rebuilt, for the following reasons:

a. If a regulatory agency or governmental authority (other than City) or third party with legal authority to do so orders or threatens to order such relocation (e.g., through filing or threatening to file a condemnation suit or other exercise of eminent domain, nationalization, or expropriation),

b. As directed by a grantor of Required Rights or by a person that declines to reasonably grant Developer Required Rights,

c. To abate interference with or interruption of its Network or the Developer Fibers, or an unreasonable risk thereof, due to the existence of physical conditions (e.g., soil subsidence, rockslides, seismic conditions, or other force majeure event),

d. In the event of the actual or threatened loss, termination or expiration of Required Rights, or

e. as reasonably determined by City ("Discretionary Changes")

City shall notify Developer as soon as is practical. City shall further notify Developer of the cause therefor (identifying a. through e. as applicable), and the impact said relocation, replacement or rebuilding is expected to have on the Trunk Route, the Access Point Routes, Demarcation Points, Equipment, and the Connections.

9.2 Notwithstanding any provisions or implications to the contrary in this Agreement, the precise route of the Network, the Trunk Route and/or the Access Point Routes, the Equipment, the Connections and/or the Demarcation Points may change from time to time. The Parties will work together in good faith to effectuate any changes required to be made for the reasons described in 9.1 during the Term. However:

(i) Changes made must provide Developer with substantially the same quality of service and approximately the same route as existed before the Trunk Route and/or the Access Point Routes, Connections and/or Demarcation Points were moved. In no event may the number of Fibers comprising the Developer IRU be reduced, nor may Developer's rights pursuant to this Agreement be diminished or reduced.

(ii) The costs of any changes made due to causes listed in Section 9.1 (b) or (d), including all reasonable costs incurred by Developer in moving Developer's Equipment and Developer's Fibers to the new locations of the Demarcation Points, as reasonable necessary, shall be borne as provided under Section 9.4.or 9.4.A. as applicable.

(iii) For changes made due to causes listed in Section 9.1(a) or (c), Developer shall pay a portion of the costs of any such changes to the Trunk Line, the Access Point Routes and/or the Demarcation Points that are not reimbursed by a third party. Developer's portion shall equal the product of (a) the ratio that the number of months remaining in the Term bears to 300 months; multiplied by (b) the ratio 12 to the total number of fibers maintained by City along the affected portions of the Trunk Route or Access Point Route, as applicable. In addition, Developer shall bear the entire cost of moving Developer's Equipment, and of extending its network to the new location of the Connections and Demarcation Points.

(iv) The costs of any changes made due to causes listed in Section 9.1 (e) including all reasonable costs incurred by Developer in moving Developer's Equipment and Developer's Fibers and extending Developer's network to the new locations of the Demarcation Points shall be borne solely by City.

9.3 Should any portion of the Trunk Route and/or the Access Point Routes be acquired by eminent domain, nationalization, or expropriation by any authority or entity possessing such power (other than City), or sold to such authority or entity under threat of eminent domain, nationalization, or expropriation (either of which will constitute a "Taking"), both Parties shall each be excused from performance of their obligations under this Agreement to the extent the Taking renders performance impossible or not feasible. In the proceeding for any such Taking in which the interests of the parties in the affected portion of the Route are severed, any awards resulting from the proceeding or otherwise provided shall be fairly apportioned between the parties in accordance with

such interests. As between The Parties, the provisions of Section 9.2(iii) shall apply to any relocation resulting from a Taking

9.3.a. For purposes of clarity, the costs of any relocation of an Access Point Route caused or required by the relocation of an Endpoint by the owner or operator of such Endpoint or the establishment of another Access Point Route to another Endpoint shall be subject to good faith negotiations by the parties and shall not be governed by the provisions in this Section 9.

9.4 City shall be solely responsible for and bear fully and exclusively the costs of relocation or rebuild of an Access Point Route as a result of any event described in Section 9.1(b), (d), or (e) except as excused herein below. In the event a relocation or rebuild of an Access Point Route or any portion thereof is required as a result of an event described in Section 9.1 (b), (d) or (e), and taking into account the interests of the parties in maintaining the Access Point Route or any portion thereof and Developer's use of the Developer Fibers as provided herein, if City determines in good faith in its reasonable judgment, after consultation with Developer, that it is technically or economically infeasible to relocate or rebuild an Access Point Route or any portion thereof to operate within the Fiber Specifications, City shall notify Developer in a timely manner. Unless otherwise agreed, no sooner than (30) days after City's notice to Developer, Developer shall notify City, and Developer shall, at Developer's option, either (i) abandon the affected Access Point Route pursuant to Section 10.3, or (ii) terminate its obligations under this Agreement with respect to the affected Access Point Route.

9.5 Legal title to the Developer Fibers located in Cable owned by City remains with City at all times during the Term of this Agreement, including but not limited to, in the case of where either Party becomes Insolvent; provided that, in the event City becomes Insolvent, any action to terminate this Agreement shall not affect the grant of the Developer IRU in the Developer Fibers or the grant of the Developer Associated Rights, which collectively shall be deemed to be a fully performed separate transaction severable from any other provisions of this Agreement. The parties acknowledge the Developer IRU constitutes an indefeasible grant to Developer of an IRU in the Developer Fibers and that the grant of the IRU is intended to be non-executory in nature, and shall not be subject to assumption or rejections in any City bankruptcy proceeding. Moreover, in the event of City becoming Insolvent, any action to terminate or reject this Agreement shall give Developer the right to access the Developer Fibers at the Demarcation Points and preserve the Developer Associated Rights for the limited purpose of using the Developer Fibers as contemplated in this Agreement, including the placement and maintenance of Developer's Equipment on the Premises Side of the Demarcation Points and the right to use the Developer Fibers.

10. TERMINATION AND BREACH

10.1 Unless terminated in accordance with this Section 10, this Agreement shall continue in force and effect for the Term. Upon expiration of the Term or Renewal Term, as applicable, Developer's right to use the Developer Fibers and/or the Trunk Route and the Access Point Routes shall terminate as provided under Section 2.2, above,

and City shall owe no additional duties or consideration to Developer with respect to such use.

10.2 In the event that Developer fails to timely pay the IRU Fee, as provided under Section 3.1, above, City may terminate the Agreement upon thirty (30) days' notice, unless such failure to pay is cured within that thirty (30)-day period.

10.3 In the event that, prior to the expiration of the Term, City decides or acts to abandon any portion of the Trunk Route, an Access Point Route, Cable along the Route and/or the Network Side Access Facilities, Developer's right to use such Developer Fibers and the Associated Rights granted hereunder during the Term shall not be affected, and prior to any such abandonment, City shall transfer to the Developer at no cost the legal title to the Cable in which the Developer Fibers that are the subject of the Developer IRU are located. In such circumstances, City agrees to work with and undertake commercially reasonable efforts to assign the rights to attach the Cable to the Structures to Developer, and otherwise cooperate with Developer to take such action to maintain and preserve Developer's use and enjoyment of the Developer Fibers, including but not limited to granting Developer an License in the City rights-of-way to maintain, repair, replace, use and access the Developer Fiber.

10.4 City or Developer may terminate this Agreement immediately without liability and without prior written notice in the event either Party is ordered in a final and non-appealable order by a court of law, regulatory authority or governmental authority (other than City) to terminate this Agreement.

10.5 In addition to Section 10.2, a party shall be deemed in breach of this Agreement only upon its failure to cure a default, subject to the following procedures:

10.5.1 Upon the occurrence of an Event of Default, the non-defaulting party must provide written notice of the default to the defaulting party. The defaulting party will have thirty (30) days following receipt of the written notice to cure the default. If the nature of the default is such that the default cannot be cured within thirty (30) days, the time for curing the default shall be extended for such period of time as may be necessary to complete the cure, but in any event such period of time shall not exceed ninety (90) days.

10.5.2 Upon the failure of the defaulting party to timely cure any Event of Default pursuant to Section 10.5.1, the non-defaulting party may, subject to the terms of Sections 12 and 13 (Indemnification and Limitation of Liability), pursue any legal or equitable remedies it may have under applicable law or principles of equity relating to such breach, subject to the limitations in Section 22.

10.5.3 All rights and remedies of the non-defaulting party set forth in this Agreement shall be cumulative, and none shall exclude any other right or remedy, now or hereafter allowed by or available under any statute, ordinance, rule of court, or the common law, either at law or in equity, or both.

10.6 In the event of a termination under Section 10.4: all of Developer's rights to the Developer IRU and Associated Rights shall terminate; and Developer and City shall meet to provide a means to achieve a reimbursement to Developer of that portion of the IRU Fee provided to City by Developer that is equal to the value of the percentage of IRU Term that can no longer be used by Developer due to the termination.

10.6.1 "Event of Default" by City shall mean the following: (i) breach of any material provision of this Agreement, including any representation, warranty or covenant; or (ii) City becomes Insolvent or ceases operations of its Network.

10.6.2 "Event of Default" by Developer shall mean: (i) the breach of any representation, warranty, obligation or covenant; (ii) the failure to make other payments hereunder other than the IRU Fee; or (iii) Developer becomes Insolvent or ceases operations.

11. ASSIGNMENT

11.1 Developer may not assign, delegate, license or sublicense this Agreement or any of its rights or obligations hereunder to any other party without the prior written consent of City, which consent shall not be unreasonably withheld, conditioned or delayed. By way of illustration and not limitation, it shall not be unreasonable for City to withhold consent if the proposed assignment, delegation, license or sublicense increases the financial, legal or operational risk to City or places additional burdens upon City.

11.2 Section 11.1 notwithstanding, upon notice in writing to City, this Agreement, and all of Developer's rights and duties hereunder, may be sold, assigned, or transferred at any time by Developer to: Developer's affiliates or wholly owned subsidiaries; any successor entity with or into which Developer is sold, merged or consolidated; or any entity created as a result of any reorganization of Developer. City has the right to contract with affiliates and third parties for the installation, inspection, maintenance and repair of the Trunk Route and the Access Point Routes. Any such sale, assignment or transfer shall explicitly be made subject to the Developer IRU and the Associated Rights granted hereunder. No approval by City to a transfer or assignment under this section is required provided notice of such transfer or assignment is given as required herein.

11.3 Nothing in this Agreement shall be construed or interpreted to prohibit Developer from (i) leasing or licensing the Developer Fibers or otherwise providing capacity to others, including without limitation, fiber optic capacity within the Developer Fibers during the term of the IRU, provided that Developer shall remain responsible and liable for all of its obligations under this Agreement; or (ii) granting to third parties IRUs and a right to use the Developer Fibers and Associated Rights, as applicable, which are coextensive with and subject to the rights that have been granted to it in the Developer Fibers and the Associated Rights under this Agreement.

11.4 In the event this Agreement or any interest therein, is sold, assigned, transferred or otherwise disposed of to any third party, including to or by any secured party or subsequent assignee or transferee in connection with an assignment for security

or otherwise, such third party shall be subject to all conditions and terms of this Agreement.

12. INDEMNIFICATION

12.1 Developer agrees to release, indemnify, defend, and hold City's Indemnitees harmless from and defend City's Indemnitees against, and assumes liability for any Claim relating to, any injury, loss or damage by Developer's Customers for damages to or failure of the Developer Fibers or the Network, and for any claims by any person or government agency going to the content or information transmitted over the Developer Fibers by Developer, Developer's Customers, or their Customer's end-users or is caused in whole or in part by Developer's Equipment, including but not limited to any Claim arising or resulting, in whole or in part, from any breach of Developer's obligations under this Agreement

12.2 City, to the extent permitted by law, agrees to release, indemnify, defend, and hold harmless Developer's Indemnitees from and against, and to assume liability for, any Claim related to any injury, loss or damage to any individual, tangible property or facilities of any third person or entity to the extent it arises or results, in whole or in part, from any alleged or actual negligent act or omission of City or its agents or employees, including due to or arising from the Developer Fiber not being maintained by City as required by this Agreement or the Service Agreement.

12.3 Nothing contained herein shall operate as a limitation on either party's right to bring a claim for damages against any third party, such damages to include, but not be limited to, direct, indirect, special, consequential or punitive damages, based on any acts or omissions of a third party that might affect the construction, operation or use of the Trunk Route and/or the Access Point Routes. For purposes of this Section 12.4, Developer's and Developer's officers, directors, employees, agents and affiliates are not third parties.

12.4 Each party's obligations under this Section 12 are material obligations to the continuing performance of the other party's obligations hereunder.

13. LIMITATION OF LIABILITY

13.1 NEITHER PARTY SHALL BE LIABLE TO THE OTHER, WHETHER IN CONTRACT, TORT, BY INDEMNITY OR OTHERWISE, FOR ANY SPECIAL, INCIDENTAL, INDIRECT, PUNITIVE, RELIANCE, MULTIPLE OR CONSEQUENTIAL DAMAGES OR ANY LOST BUSINESS DAMAGES IN THE NATURE OF LOST REVENUES OR PROFITS AS A RESULT OF THE PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT (WHETHER ARISING OUT OF OUTAGES, TRANSMISSION INTERRUPTIONS OR PROBLEMS, FUNCTIONAL DEGRADATION, OR ANY OTHER REASON). ANY CLAIM FOR SUCH DAMAGES IS SPECIFICALLY WAIVED AND BARRED, WHETHER OR NOT SUCH DAMAGES WERE FORESEEABLE OR A PARTY WAS NOTIFIED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES. NOTWITHSTANDING THE FOREGOING,

THIS LIMITATION OF LIABILITY ABOVE SHALL NOT LIMIT EITHER PARTY'S INDEMNIFICATION OBLIGATION TO THE OTHER PARTY AS TO THIRD-PARTY CLAIMS.

13.2 In no event shall either parties' liability to the other for the breach of this Agreement, or Claims related to or connected in any way with this Agreement (other than with respect to third-party claims that are subject to indemnification), exceed, in the aggregate, one million dollars ($1,000,000.00). The foregoing sentence, however, shall not operate as a limit on any obligation City might have to refund the IRU Fee and the Maintenance fee, in whole or in part, pursuant to a provision of this Agreement.

13.3 EXCEPT AS SPECIFICALLY SET FORTH IN THIS AGREEMENT, Developer MAKES NO WARRANTY TO City OR ANY OTHER ENTITY, WHETHER EXPRESS, IMPLIED OR STATUTORY, AS TO THE INSTALLATION, DESCRIPTION, QUALITY, MERCHANTABILITY, COMPLETENESS, USEFUL LIFE, FUTURE ECONOMIC VIABILITY, OR FITNESS FOR ANY PARTICULAR PURPOSE OF THE ROUTE, THE Developer FIBERS, OR THE NETWORK, OR ANY DELIVERABLE OR CONSTRUCTION PROVIDED HEREUNDER OR DESCRIBED HEREIN, OR AS TO ANY OTHER MATTER, ALL OF WHICH WARRANTIES ARE HEREBY EXPRESSLY EXCLUDED AND DISCLAIMED. WITHOUT LIMITING THE FOREGOING, Developer DOES NOT WARRANT THAT THE TRUNK ROUTE OR THE ACCESS POINT ROUTES WILL BE UNINTERRUPTED OR ERROR-FREE.

13.4 City shall have no responsibility for or owe any duty to Customers under this Agreement. Developer's obligations to make payments for the IRU and/or Maintenance shall not be changed or relieved by virtue of any inability by Developer to collect payments or charges from Customers or other third parties. In the event of termination of this Agreement, it is Developer's sole responsibility to transition its Customers to alternative service arrangements.

13.5 The Parties agree Developer is solely responsible for any claims or losses that arise as a result of Developer installing fiber optic cable intended to be conveyed or dedicated to the City for expansion of and inclusion in the City-owned Network for the benefit of City under this Agreement until such time as the installed fiber optic cable is tested, and ownership thereof is accepted by the City in writing or through the City using or controlling the cable. This Agreement is intended to provide the essential terms for Developer providing fiber and related goods, and installation services thereof, to City for extending the City Network in conjunction with Developer requiring new extensions of the Network to serve the Developer's Customers. This Agreement shall be subject to Chapter 271, Subchapter I, of the Texas Local Government Code. The Parties agree that the final judgment in any action brought by a Party in reliance on said Chapter 271 shall require the losing Party to pay the reasonable legal fees and costs of the prevailing Party.

14. WAIVER OF TERMS OR CONDITIONS

14.1 The failure of either party to enforce or insist upon compliance with any of the terms or conditions of this Agreement shall not constitute a general waiver or

relinquishment of any such terms or conditions, and the same shall be and remain at all times in full force and effect. Nor shall either party, by mere lapse of time, be deemed to have waived any breach of any terms or provisions of this Agreement.

15. FORCE MAJEURE

15.1 Neither party shall be liable for any delay or failure in performance of any part of this Agreement resulting from the following events, to the extent such events are beyond the party's reasonable control: acts of God, acts of civil or military authority, embargoes, epidemics, war, terrorist acts, riots, insurrections, fires, explosions, earthquakes, nuclear accidents, floods, power blackouts, or unusually severe weather. In the event of any delay in the performance of a party's obligations under this Agreement resulting from one of the above events, the due date for the performance of the original obligation(s) shall automatically be extended by a term equal to the time lost by reason of the delay.

16. INSURANCE

16.1 Throughout the period during which this Agreement remains in effect, both Parties shall take out and maintain the following minimum insurance:

16.1.1 Workers' compensation and employers' liability insurance, as required by law, covering all its employees who perform any of the obligations under this IRU. If any employee is not subject to the workers' compensation laws of Texas, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to Texas' compensation laws.

16.1.2 Public liability and property liability insurance covering all operations under this Agreement with limits for bodily injury or death of not less than $1 million for each occurrence, limits for property damage of not less than $1 million for each occurrence, and $2 million aggregate for accidents during the policy period. A single limit of $2 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

16.1.3 Automobile liability insurance on all self-propelled vehicles used in connection with this Agreement, whether owned, non-owned or hired, shall have limits for bodily injury or death of not less than $1 million per person and $2 million each occurrence, and property damage limits of $1 million for each occurrence. A single limit of $2 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

16.2 The insurance policies shall be in such form and issued by such insurer as shall be satisfactory to each Party. The insurer shall be financially solvent with an AM Best Rating of A or better. In the event of a loss arising out of or related to Developer's use of the Trunk Route and/or the Access Point Routes under this Agreement,

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Developer's insurance shall be primary (pay first) with respect to any other insurance which may be available to Developer, regardless of how the "other insurance" provisions may read.

16.3 Developer shall furnish to City within thirty (30) days of the execution of this Agreement and at the request of City, but no more than annually, a certificate evidencing compliance with the foregoing requirements. This certificate will list City as additional insureds and will include the following cancellation, suspension, material change or nonrenewal language: "In the event of cancellation, suspension, material change or nonrenewal of any of the said policies, the insuring company shall give the party to whom this certificate is issued thirty (30) days prior notice of such event."

16.4 At Developer's expense, Developer shall have the right at any time to require public liability insurance and property damage liability insurance greater than the limits specified herein if such higher limits are the generally accepted industry standard.

17. NOTICE

17.1 Unless otherwise provided herein, all notices concerning this Agreement shall be in writing and addressed to the other party as follows:

If to City:

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

With a copy to:

City Attorney's Office
Attn: Kevin Pagan
1300 Houston Avenue
McAllen, Texas 78501
Phone: (956) 681-1000

If to Developer:

Rhodes Enterprises, Inc.
Attn: Mike Rhodes, President
200 S. 10th Street
McAllen, Texas 78501
Phone: (956) 287-2800

With a copy to:

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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

or to such other address as either party may designate by notice from time to time in accordance with the terms of this section.

17.2 Except as otherwise provided herein, all required notices shall be transmitted to the parties' addresses specified in Section 17.1 by personal delivery, certified mail (return receipt requested), or by recognized national overnight delivery service, with a courtesy copy by facsimile or via electronic mail. Any notice that is given by either party may be given by the attorneys for that party and shall be deemed effective for all purposes herein. The notice shall be deemed received upon actual delivery or refusal of delivery as evidenced by the records of the U.S. Postal Service or delivery service, such as the case may be.

18. CONFIDENTIALITY

18.1 In the absence of a separate confidentiality agreement between the parties, if either party provides confidential and/or proprietary information to the other in writing and identified as such, to the extent permitted by law, the receiving party shall protect the confidential or proprietary information from disclosure to third parties with the same degree of care accorded its own confidential and proprietary information, which, in any event, shall not be less than reasonable care.

18.2 All confidential and proprietary information, unless otherwise specified in writing, shall remain the property of the disclosing party and shall be used by the receiving party only for its intended purpose.

18.3 This Agreement in form and structure as well as its content, including its terms and conditions, is deemed confidential.

18.4 The parties agree to use their best efforts to avoid disclosing to each other confidential information that is not reasonably required for the administration of this Agreement.

18.5 Neither party shall be required to treat as confidential any information which: (i) becomes publicly available other than through the recipient; (ii) the recipient is required to disclose by law, rule or regulation, or by court order; (iii) is independently developed by the recipient; (iv) becomes available to the recipient without restriction from a third party; or (v) becomes relevant to the settlement of any dispute or enforcement of either party's rights under this Agreement in accordance with its terms and conditions. If any confidential or proprietary information is required to be disclosed pursuant to subsection (ii) above, the party required to make such disclosure shall

immediately inform the other party of the disclosure, and shall take all reasonable protective measures to preserve the confidentiality of such confidential or proprietary information as fully as possible in the context of such permitted disclosure.

18.6 These confidentiality obligations shall survive the expiration or termination of this Agreement for a period of two (2) years.

19. PUBLICITY AND ADVERTISING

19.1 In connection with this Agreement, neither party shall publicize this Agreement.

20. MERGER

20.1 With the exception of the Development Agreement between the Parties, and Exhibit E to the Development Agreement, this Agreement constitutes the entire, full and complete agreement between the Parties with respect to the subject matter hereof, and supersedes any previous agreements, understandings or communications, whether written or oral, relating to Developer's use of the Trunk Route and the Access Point Routes and Developer Fibers.

21. REPRESENTATIONS, WARRANTIES AND COVENANTS

21.1 Each party represents, warrants and covenants that on the Effective Date:

21.1.1 It has taken all requisite corporate and Commission action to approve the execution, delivery and performance of this Agreement;

21.1.2 City is a duly organized Texas Municipal Corporation, and Developer is a duly organized Texas Corporation validly existing and in good standing under the laws of its state of incorporation or formation;

21.1.3 It has the full right and authority to enter into, execute, deliver and perform its obligations under this Agreement;

21.1.4 It is qualified to do business in all jurisdictions applicable to this Agreement where such qualification is required by applicable law, except where the failure to be so qualified could not reasonably be expected to have a material adverse effect on its ability to perform its obligations under this Agreement; and

21.1.5 It shall perform its obligations under this Agreement, route in a manner consistent with applicable law, and, in the case of Developer, shall not use or knowingly permit the Developer Fibers to be used for any illegal purpose or in any other unlawful manner.

21.1.6 To its reasonable knowledge and belief, there are no actions or lawsuits pending or threatened which might reasonably be expected to prevent or preclude it from performing its obligations hereunder.

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22. MISCELLANEOUS

22.1 Neither Party is under any obligation, express or implied, to amend, supplement, or otherwise change or modify any of the provisions of this Agreement. However, if both Parties agree to amend, supplement, or otherwise change or modify any of the provisions of this Agreement, then any such amendment, supplement, change or modification, to be enforceable, must be evidenced by written documentation duly executed by both parties. Any attempt to amend, supplement, change or modify this Agreement by oral agreement shall be void and not binding upon either Party.

22.2 This Agreement has been made and is made solely for the benefit of the parties and their successors. Nothing herein is intended to confer any rights or remedies upon any third party.

22.3 Use of the term "include" or "including" shall mean "include, without limitation" or "including, without limitation." The descriptive headings of the several sections of this Agreement are inserted for convenience only and do not constitute a part of this Agreement. Such headings shall not in any way define or affect the meaning, construction or scope of any of the provisions of this Agreement. All Exhibits hereto are hereby incorporated by reference and made a part hereof. In the event that any inconsistency exists between the provisions of this Agreement and any of its Exhibits, the provisions of the Agreement shall supersede the provisions of the Exhibits.

22.4 If a provision of this Agreement requires judicial interpretation, then the parties hereby stipulate that the court interpreting or construing said provision should not construe the terms of this Agreement more strictly against the party preparing this Agreement, it being acknowledged that the parties have sought and received advice of counsel, to the extent that each deems necessary for the full understanding of all the consequences hereof, and each has had an equal opportunity to negotiate the terms of this Agreement.

22.5 Each party shall take or cause to be taken such further actions to execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such further documents and instruments as may be necessary or as may be reasonably requested in order to fully effectuate the purposes, terms and conditions of this Agreement.

22.6 This Agreement is deemed executed in and shall be construed under the laws of the State of Texas, without reference to choice of law principles. The parties hereby each agree that any and all disputes arising under or in connection with this Agreement are subject to the exclusive jurisdiction of the courts of Hidalgo County, Texas. Each party hereby acknowledges that it is subject to general personal jurisdiction in the State of Texas, and the District Courts of Hidalgo County, Texas for purposes of any legal action required or allowed to be brought hereunder.

22.7 This Agreement may be executed in several counterparts, each of which shall be deemed an original, and all such counterparts together shall constitute one and the same document. This Agreement also may be executed via counterpart facsimiles on

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(i) the telecopy or facsimile by each party of a signed signature page thereof to the other party, with return receipt by telecopy or facsimile requested and received, and (ii) the parties' agreement that they will each concurrently post, by next business day courier, a fully executed original counterpart of the Agreement to the other party.

22.8 Should any court of law or administrative or governmental entity with jurisdiction declare any provisions of this Agreement to be void or unenforceable, the remaining provisions of the Agreement shall remain in full force and effect.

22.9 Nothing contained in this document, or in any amendment or supplement thereto, shall be deemed or constructed to: (i) make City the agent, servant, employee, joint venture, associate or partner of Developer or vice versa; or (ii) create any partnership, joint venture or agency relationship between City and Developer. Neither party shall have the right to obligate or bind the other party in any manner to any third party.

22.10 Nothing herein shall be construed to limit the right of City, by contract or otherwise, to confer upon others who are not parties to this Agreement rights or privileges to use the Network, provided any such conveyance of rights or privileges to a third party does not interfere with Developer's exclusive use of the Developer Fibers or its ability to exercise its rights and fulfill its obligations hereunder.

22.11 Unless otherwise provided, in any instance hereunder where City's approval or consent is required or the exercise of City's judgment is required, the granting or denial of such approval or consent and the exercise of such judgment shall be within the sole discretion of City, and City shall not, for any reason or to any extent, be required to grant such approval or consent or exercise its judgment in any particular manner, regardless of the reasonableness of the request or Developer's judgment.

22.12 The term "person" and words importing persons as used in this Agreement shall include firms, associations, partnerships (including limited partnerships), limited liability companies, joint ventures, trusts, corporations and other legal entities, including public or governmental bodies, agencies or instrumentalities, as well as natural persons.

22.13 Unless expressly herein, words having well-known technical or trade meanings shall be so construed.

22.14 Except as set forth to the contrary herein, any right or remedy of City or Developer shall be cumulative and without prejudice to any other right or remedy, whether contained herein or not.

22.15 City and Developer agree that a scanned or electronically reproduced copy or image of this Agreement, in executed form, shall be deemed an original and may be introduced or submitted in any action or proceeding as competent evidence of the execution, terms and existence hereof notwithstanding the failure or inability to produce or tender an original, executed counterpart of this Agreement and without the requirement that the unavailability of such original, executed counterpart of this Agreement first be proven.

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By: _____

Print Name: Jim Darling

Print Title: Mayor

Date: 3-10-15

Attest: _____

DEVELOPER

By: _____

Print Name: Mike Rhodes

Print Title: Pres Rhodes Enterprises Inc

Date: 3-9-15

Attest: _____, Secretary

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EXHIBITS

Exhibit A	Diagram of Route, Endpoints and Demarcation Points
Exhibit B	Splicing and Maintenance Services Level Agreement (SLA)
Exhibit C	Fiber Specifications
Exhibit D	As-Built Drawings

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Exhibit A to IRU Agreement

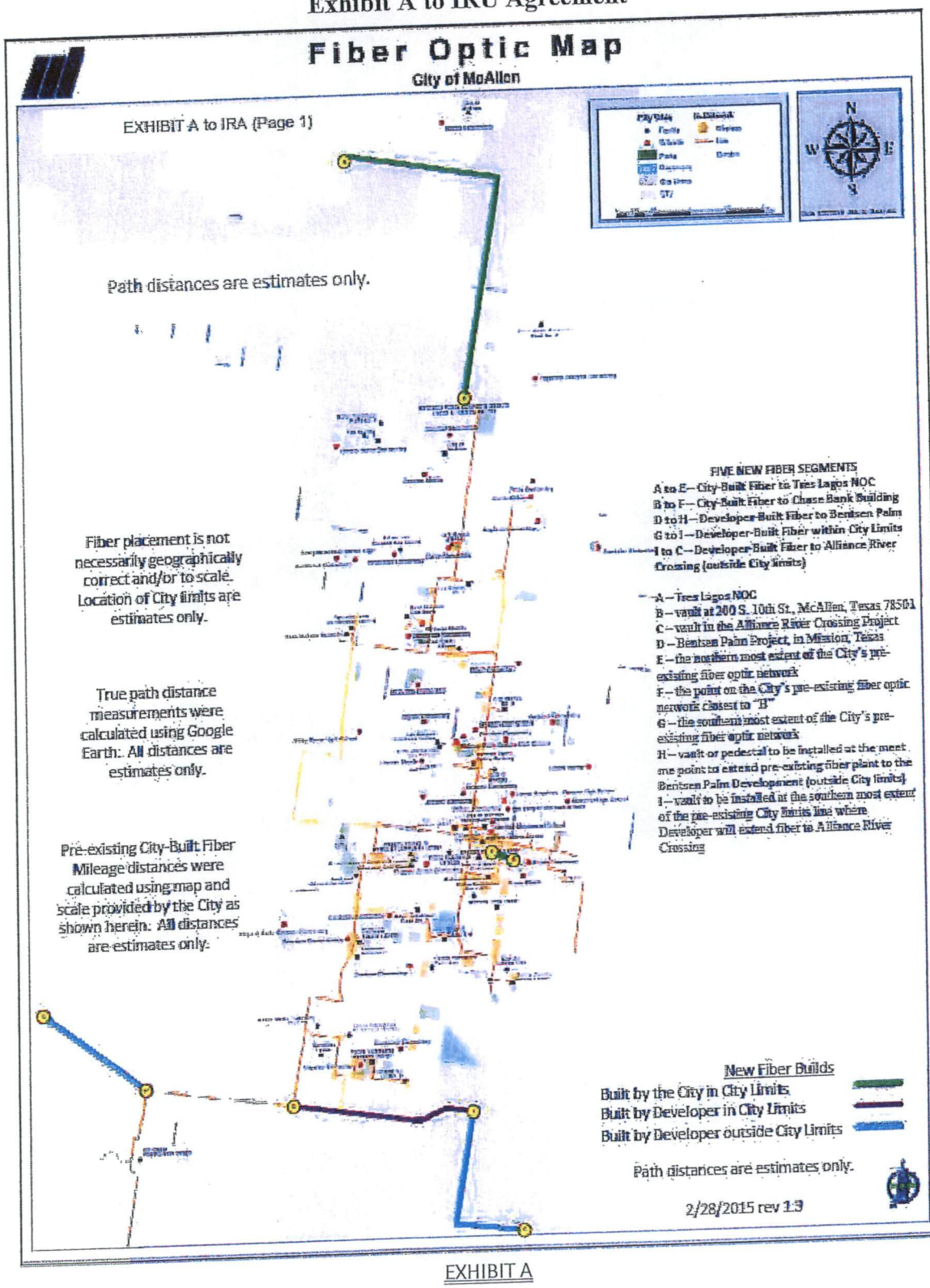

EXHIBIT A

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"Fiber Path Mileage Totals

Path	Underground Mileage	City-Built Fiber Count Granted to Developer	City-Built Fiber Miles Granted to Developer	[5]Developer-Built Fiber Count Granted to City	Developer-Built Fiber Miles Granted to City
[1]A to E	5.10	12	61.20		0.00
[1]B to F	0.29	12	3.48		0.00
[1]D to H	5.10		0.00	12	61.20
[1]G to I	1.99		0.00	84	167.16
[1]I to C	16.09		0.00	12	193.08
[2]Existing City-Built Fiber	29.50	12	354.00		0.00
[1]A to P	1.00		0.00	84	84.00
[1]P to Q	1.10		0.00	84	92.40
[1]A to R	1.00		0.00	84	84.00
[1]A to S	2.91		0.00	84	244.44
		Total Fiber Path Miles	418.68		926.28
		[3]Total Fiber Value	$218,061.10		$482,434.41

[1]True path distance measurements were calculated using Google Earth. All distances are estimates only.

[2] Pre-existing City-Built Fiber Mileage distances were calculated using map and scale provided by the City. All distances are estimates only.

[3]Total Fiber Value is based on the new build cost of $50,000 per mile. $50,000 / 96 strands = $520.83 per strand mile

[4]Total Fiber path mileage (and Value) does not include additional Developer-Built Fiber Miles to be Granted to the City in association with the Hidalgo County Regional Mobility Authority ("HCRMA") Short Term Strategic Plan 2014-2022. This future build may or may not take place and is not a guarantee or commitment to be included in this Agreement. The Developer and the City will work closely together in an effort to secure this contract. In the event that the Developer is successful in procuring this contract and extends fiber within the HCRMA, then the Developer will grant 12 fiber strands within the Developer-Built fiber count to the City. (Refer to Exhibit E, Attachments).

[5]Total Fiber path mileage (and Value) does not include additional Developer-Built Fiber Miles to be Granted to the City in association with future fiber plant extensions within the public right of way inside City limits to deliver services to new customers.

2/28/2015 rev 1.3

EXHIBIT A

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Exhibit B to IRU Agreement

Service Level Agreement

{SEE ATTACHMENT 5 to EXHIBIT E}

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Exhibit C to IRU Agreement

FIBER SPECIFICATIONS

1.0 Compliance.

All work will be done in accordance with federal, state, local, and applicable rules and laws regarding safety and environmental issues, including those set forth by Occupational Safety and Health Administration and the Environmental Protection Agency, In addition, all work and the resulting fiber system will comply with the generally applicable industry standards.

2.0 Route Detail Information.

City will provide to Developer a description of the type of Fiber (i.e., underground or aerial) and splice points which shall be available to Developer under the IRU Agreement in the Route thereof. If Developer desires additional information concerning the Trunk Route or the Access Point Routes, the parties shall negotiate in good faith to determine the feasibility of providing the additional detail requested. Updates to information will be provided by City to Developer within ninety (90) days of completion of any change to the Trunk Route and/or the Access Point Routes, including any relocation projects affecting the Developer's Fibers.

3.0 Deviations from Specifications.

City may deviate from these Specifications when field conditions dictate and as provided in the Agreement.

4.0 Fiber Cable Splicing Testing, and Acceptance Procedures.

a. Subsequent to the Fiber optic splices being made, as provided herein, all strands of the Trunk Line, the Access Point Routes and the Connections shall be tested to ensure such strands meet the standards provided in this Agreement. The parties shall cooperate in accomplishing the testing so that City can expeditiously and at its expense test the Trunk Route and the Access Point Routes, and to allow Developer access to the test results to confirm the test results provided in this Agreement.

b. All splices will be performed with an industry-accepted fusion splicing machine. Testing will be documented on diskettes (or other acceptable media) in Laser Precision format and on trace analysis sheets reflecting bidirectional losses by fiber and installed span loss by fiber. One copy of trace diskettes and three copies of trace analysis sheets will be submitted by each party to the other party promptly upon completion of the testing. All testing will be performed at 1550 nm.

c. During initial unidirectional OTDR testing, a general indicator of the quality of each splice will be an objective loss of 0.15 dB or less. If, after three attempts, a party is not able to produce a loss value of less than 0.15 dB, then 0.25 dB will become the objective. If, after two additional attempts, a value of less than 0.25 is not achievable, then the splice will be marked as "Out-of-Spec" ("OOS") on a field data sheet. The parties recognize that

unidirectional OTDR test data is not an acceptance/rejection criterion. Attempts to improve the loss for existing splices that are marked OOS will not be made unless agreed upon by both parties.

d. The installed span loss (span shall be FDP to FDP) shall be a bi-directional average of 0.50 dB/km or less, as calculated using an industry-accepted optical loss test set at 1550 nm. The installed span loss includes the inherent attenuation of the glass, the backbone splice losses, the pigtail splice losses, the inherent loss in the pigtails, and the connector losses.

e. Optical Return Loss will be recorded on the testing documentation, for informational purposes only.

f. Customer fiber assignments will be consecutive in count. The maximum number of fibers within a single buffer tube (or ribbon or fiber bundle) shall be 12.

g. Optical Fiber Specifications - Single Mode Fiber

Operation Temperature	-60 c to 85 c
Optical Properties	• 1300-1550 nm
• Standard Attenuation	• < .35 dB/km @ 1550 nm
• Attenuation Uniformity	• 0.1 dB/km
• Splice Loss	• < .15 dB per splice bi-directional average
	• < .2 dB for DS fiber

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Exhibit D to IRU Agreement
AS-BUILT DRAWING SPECIFICATIONS

City shall, within 90 days from the execution of this Agreement, provide to Developer As-Built drawings containing the specific identification, by appropriate designator, of the Trunk Route and the Access Point Routes. Developer shall cause the splice points with the Developer Fibers to be designated on Network maps and as-built drawings. Facilities shall be marked in the field. Any maps or drawings that must be updated shall be delivered as soon as practicable thereafter to City. Detailed as-built drawings will contain the following information presented in the format described below:

1. Route Description: The as-built will contain a geographical depiction of the Route containing the Trunk Route and the Access Point Routes, provided in the form of a hard-copy map. The depiction will identify each access point.

2. Fiber Level Details: The as-built will provide details on Developer's fiber assignment numbers within the Cable between each access point and the next contiguous POP, fiber distribution bay, Developer's individual fiber assignments, and Developer's circuit ID's to aid in identifying fibers within the Cable.

3. Mileage: Mileage will be the fiber distances via Optical Time Domain Reflectometer ("OTDR") traces between an access point and the next contiguous access point.

4. Site Names: City's access points will be identified using City's names for such sites, whether or not Developer uses the same names.

5. Drawings shall contain cable information, and to the extent applicable, splice locations, assist point locations with permanent structures, survey stations, conduit information, Regen Space locations, and optical distances to the nearest Regen Space from each of Developer's splice locations.

6. Map Info should be used as the land base to include all locations, addresses and route mileage for the long-haul portion. In the metropolitan areas AutoCAD should be used at 1" = 200' scale. Drawings shall be "blue lines," as such term is understood in the industry or in CAD format revision 13 or a later revision. Developer may adopt any replacement method of creating or providing drawings that is generally accepted in the industry and that provides equivalent information.

7. Definition of type of cable and fiber installed.

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ATTACHMENT 5 to EXHIBIT E
&
EXHIBIT B to IRU Agreement

SERVICE LEVEL AGREEMENT

This Service Level Agreement (the "SLA") is entered into as of this 9th day of March, 2015, (the "Effective Date") by and between Rhodes Enterprises Inc., a Texas Corporation with its principal offices at 200 South 10th Street, McAllen, TX 78501 (hereinafter, "**Developer**"), and The City of McAllen, Texas, a Texas Municipal Corporation with its principal offices at 1300 Houston Avenue McAllen, TX 78501 (hereinafter, "**City**"). Collectively, Developer and City may be referred to as "the parties" or individually as "a party." Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the IRU Agreement.

WHEREAS, City has agreed to grant to Developer the exclusive, irrevocable and indefeasible right to use twelve (12) specific strands of Fiber (the "Developer Fiber" or "Black Buffer Tube") on the terms and conditions specified in the Indefeasible Right of Use Agreement (hereinafter, "IRU Agreement") to which this SLA is attached; and

WHEREAS, In exchange for the compensation established herein, City has agreed to provide splicing, certain routine maintenance, emergency restoration and locate services for the Developer as set forth herein;

NOW, THEREFORE, in consideration of the mutual promises set forth below, and for other good and valuable consideration, the adequacy and receipt of which are hereby acknowledged, City and Developer agree as follows:

1. **DEFINITIONS**. Capitalized terms not otherwise defined herein shall have the meaning ascribed to them in the IRU Agreement.

2. **MAINTENANCE SERVICES**.

2.1 In General. City shall provide maintenance services (the "Maintenance Services") for the Developer Fiber, Access Points and Cable as set forth herein, and shall have access to all splice points associated with connections to the Developer Fibers for the provision of such Maintenance Services. City shall provide Scheduled Maintenance and Unscheduled Maintenance, each as defined below, for the Developer Fiber.

2.2 Scheduled Maintenance. "Scheduled Maintenance" means (a) routine maintenance and repair of the Developer Fiber and Access Points; (b) patrol of the Developer Fiber, and Access Points on a regular basis; (c) maintenance of a "Call-Before-You-Dig" program as applicable and all required and related cable locates; (d) maintenance of sign posts as applicable, as permitted by the underlying right-of-way owner, along the subject Fiber and Cable routes with the number of the local "Call-Before-You-Dig" organization and the "800" number for its "Call-Before-You-Dig" program if allowed by applicable state and local laws; and (e)

assignment of properly trained and certified maintenance technicians. Subject to the other provisions contained in this SLA, City shall maintain (or cause to be maintained) any hut, collocation facility, or other structure used to house Developer's Access Points.

2.3 Unscheduled Maintenance. "Unscheduled Maintenance" means non-routine maintenance, emergency repair, and restoration of the Developer Fiber and Access Points not included in Scheduled Maintenance, namely, (a) "Emergency Unscheduled Maintenance" to repair and restore the Developer Fiber in response to an alarm identification by either Party's OC (as defined below), notification by Developer, or notification by any third Party of any imminent failure, interruption, or impairment in the operation of the Developer Fiber, or to prevent failure, interruption or impairment of the Developer Fiber in response to any event imminently likely to cause such failure, interruption, or impairment; and (b) Non-emergency Unscheduled Maintenance in response to any potential (although not imminent) service-affecting situation to prevent any failure, interruption, or impairment of the operation of the subject Cable, Fibers, or Access Points.

2.4 City Not Responsible for Developer Equipment. Developer has exclusive control and responsibility to install, test, inspect, maintain, and repair the Developer's Equipment. City shall have no responsibility or obligation to perform any Maintenance Services hereunder (or otherwise perform maintenance, repair, or replacement) with respect to the Developer Equipment, and shall not be liable for any loss or damage attributable to any Developer Equipment that malfunctions or is not installed, tested or maintained properly by Developer.

3. TERM. The initial term of this SLA shall commence upon the Acceptance Date and continue in effect for the same term as the IRU Agreement unless terminated or modified earlier by mutual agreement of the Parties. (hereinafter, the "Maintenance Term"). Subject to renewal of the IRU Agreement, this SLA shall renew for additional terms commensurate with and equal to the Renewal Terms of the IRU Agreement unless either Party provides written notice of its intent not to renew in the same manner required for non-renewal of the IRU Agreement.

4. SPLICING AND MAINTENANCE CHARGES.

4.1 Splicing Charge. Developer agrees to pay City for the costs incurred with respect to any splicing. Splicing shall be billed to Developer at City's cost plus ten percent (10%), which payment shall be due within thirty (30) days after Developer's receipt of an invoice from City. In no event shall the City charge more for splicing services than is customary in the market for such services. The City shall base its pricing for such services on the rate charged by the lowest responsive bidder for such services received by the City in response to a request for bids for such services issued within no less 12 months prior to invoicing for such services.

4.2 Annual Charge for Scheduled Maintenance. Annual charge for Scheduled Maintenance shall only be applicable to City-owned fiber cable routes outside of those fiber cable routes required to serve the Zone or PID. This includes fiber cable extensions within the City limits performed by Developer and then dedicated to the City. Developer shall pay to City

for the provision by City of Scheduled Maintenance hereunder, an annual maintenance charge of two hundred fifty dollars ($250.00), or equivalent, per Route mile of active or lit Developer Fiber ("Annual Maintenance Charge"). The initial Annual Maintenance Charge for Scheduled Maintenance is set forth in Schedule A. The Annual Maintenance Charge shall be based exclusively on active or lit route miles of Fiber, and shall be irrespective of the number of Fibers Developer has in any particular Route Segment. The Annual Maintenance Charge is subject to periodic review and adjustment pursuant to Section 4.3 below, and must not exceed 110% of the cost for such maintenance than is customary in the market for such services. The City shall base its pricing for such services on the rate charged by the lowest responsive bidder for such services received by the City in response to a request for bids for such services issues within no less 12 months prior to invoicing for such services.

4.3 Invoices. City shall invoice Developer for the Annual Maintenance Charge on an annual basis in advance, and Developer shall pay the Annual Maintenance Charge, or equivalent, set forth in the invoice within thirty (30) days of its receipt thereof.

4.4 Periodic Review. The Annual Maintenance Charge is fixed at the rate set out in Exhibit A, and must not exceed 110% of the cost for such maintenance than is customary in the market for such services. The City shall base its pricing for such services on an amount not to exceed 110% of the rate charged by the lowest responsive bidder for such services received by the City in response to a request for bids for such services issued in compliance with Texas law on no less than an annual basis. At the time of issuance and publication of the request for bids the City shall send a copy of the request to Developer. This process for establishing the amount of fees and other pricing is referred to herein as the "Competitive Pricing Procedure" or "CPP".

4.5 In addition to adjustments made under the CPP, City may make non-standard adjustments to the Annual Maintenance Charge to reflect actual increased charges to City by Grantors under the Underlying Maintenance Agreements for Scheduled Maintenance in connection with the Grantor Segments containing the Developer Fiber that are in excess of the adjustment to the Annual Maintenance Charge based on the CPP. Any non-standard adjustments to the Maintenance Charges must include relevant Grantor invoices and other supporting information, and at least ninety (90) days' notice must be given prior to the commencement of the applicable period to which the adjustment would apply. Such additional non-standard adjustments shall be pro-rated between City and Developer based on the number of Fibers each has in the applicable Grantor Route Segment.

4.6 Costs for Unscheduled Maintenance. The Parties agree that Annual Maintenance Charge does not cover Unscheduled Maintenance or Relocation. Each Party shall be responsible for its pro rata share of Unscheduled Maintenance costs based on the ratio of each Party's Fibers in the particular Route Segment to the total number of Fibers in that Route Segment. For its share of any costs and expenses incurred for Unscheduled Maintenance, Developer shall pay the charges set forth in an invoice from City, accompanied, as applicable, by relevant invoices from Grantors or other service providers, and bid tabulations for such services, evidencing such costs and expenses, within thirty (30) days of its receipt thereof. Notwithstanding the foregoing, in the event that the need for Unscheduled Maintenance becomes

necessary as a result of a Party's, its agent's, or its customer's negligence or willful misconduct, that Party shall be solely responsible for the entire Unscheduled Maintenance costs. In the event that the need for Unscheduled Maintenance becomes necessary as a result of the negligence or willful misconduct of a third party, City shall take commercially reasonable action to collect the costs thereof from such responsible third party, and shall, offset each Party's share of the costs for Unscheduled Maintenance on a pro rata basis, to the extent such costs have actually been recouped from such responsible third party. Each party's responsibility for Relocation costs shall be as described in Section 9 of the IRU Agreement.

4.7 Expenses. City is responsible for professional travel, meals, lodging, and such other expenses as it may incur ("Expenses") in performance of Scheduled Maintenance, and no charge shall be assessed to Developer for such costs. Reasonable Expenses incurred by City in connection with Unscheduled Maintenance including restoration and emergency repair activities, shall be allocated and may be invoiced by City as provided in Section 4.4, subject to the provision, upon Developer request, of back-up documentation.

5. MAINTENANCE SPECIFICATIONS AND REQUIREMENTS.

5.1 Operations Center. City shall itself or through a third party, operate and maintain an Operations Center ("OC") and have trained staff available twenty-four (24) hours a day, seven (7) days a week. City shall have a maintenance employee or contractor available for dispatch twenty-four (24) hours a day, seven (7) days a week.

5.2 Scheduling; Response Parameters and Requirements.

5.2.1 City shall respond to any notice of any failure of the Developer Fibers to operate in accordance with the Fiber Specifications, whether or not causing any interruption of Developer's use thereof (an "Outage") as quickly as reasonably possible (subject to delays due to a Force Majeure Event) in accordance with the procedures of this Section 5, and, in any event, City will use reasonable efforts to have a maintenance technician at the site requiring Emergency Unscheduled Maintenance on any Route Segment within five (5) hours after the time City becomes aware of an event requiring such Emergency Unscheduled Maintenance. City will restore the Developer Fibers and the connections on the same priority as other communications services within City's service area; however, City shall have no liability to Developer in the event City is unable, due to the demands of restoring other priority services such as service to fibers serving operation centers for emergency service providers or the PID.

5.2.2 City shall notify Developer at least three (3) business days in advance of Scheduled Maintenance for which it is responsible that will cause interruption of use by Developer or its customers of the Developer Fibers. In the event that Scheduled Maintenance of which Developer has been so notified is canceled or delayed for any reason, City shall notify Developer at City's earliest reasonable opportunity and will provide a new notice under this Section 5.2.2 to reschedule any such canceled or delayed maintenance.

5.2.3 Developer shall have the right to be present during the performance of any Scheduled Maintenance or Unscheduled Maintenance so long as this

requirement does not interfere with City's ability to perform its obligations under this SLA or violate any applicable third party limitations or restrictions on access; provided that in the event of such third party limitations on access, City will cooperate with Developer in obtaining any necessary permissions from such third party to permit Developer to be present during the performance of such maintenance activities.

5.2.4 City shall perform Scheduled Maintenance between the hours of midnight and 6:00 a.m. or in accordance with its then current preventative maintenance procedures, which shall be consistent with industry practice. Unscheduled Maintenance may be performed at any time, but City agrees to use commercially reasonable efforts when conducting such Unscheduled Maintenance to minimize any interruption of Developer's use of the Developer Fibers or such use by its customers.

5.2.5 City shall use commercially reasonable efforts to remedy any problems related to the Developer Fiber or Access Points as quickly as possible, except that restoration of open fibers on fiber strands among the Developer Fiber not immediately required for service shall be completed in a mutually agreed upon manner and on a mutually agreed upon schedule. If any Developer Fiber is not being utilized by Developer, repairs may be scheduled for the next available Planned System Work Period ("PSWP"), which is a pre-arranged period of time reserved for performing certain work on the subject Cable that may potentially impact Developer's communications traffic. If, at any time, it becomes apparent that an Outage as to any Developer Fiber will extend beyond eight (8) hours, a manager or officer of each Party will work together to determine a plan to restore the subject Fibers as soon as possible.

5.2.6 Major system work (including fiber rolls and hot cuts on Developer Fiber) will be scheduled during a PSWP. Generally, this will be restricted to weekends, avoiding the first and last weekend of each month and holidays of high communications traffic.

5.2.7 In the case of any permitted rerouting activities, City shall notify Developer at least thirty (30) days in advance of any voluntary rerouting activities and as soon as reasonably possible in the case of any involuntary rerouting activities if the subject rerouting activities are intended to require any interruption of service by Developer related thereto.

5.2.8 City's representatives responsible for initial restoration of a cut Developer Fiber shall carry in their vehicles the appropriate equipment that would enable a temporary splice, with the objective of restoring Developer's fiber operation as quickly as reasonably possible. City or its representatives shall maintain an inventory of spare cable in one or more storage facilities to facilitate timely restoration. Each Party shall maintain sufficient capability to teleconference with the other Party during an Emergency Unscheduled Maintenance on fiber strands granted to Developer hereunder and to provide regular communication during the repair process.

5.2.9 When correcting or repairing Cable discontinuity or damage, including in the event of Emergency Unscheduled Maintenance, City shall use reasonable

efforts to repair discontinuity having an impact on traffic within twenty-four (24) hours after City's maintenance employee, contractor, subcontractor or designee arrives at the problem site. To accomplish such objective, it is acknowledged that the repairs so affected may be temporary in nature. City or its representative, promptly upon arriving on the site of the cut or damage, shall determine the course of action to be taken to restore the fiber(s) and shall begin restoration efforts. City or its representative shall splice Fibers such that lit Fibers in all buffer tubes, ribbons or fiber bundles shall have priority over any dark fibers to allow transmission systems to come back on line; and provided further that City will continue such restoration efforts until all lit Fibers in all buffer tubes or ribbons are spliced and all traffic restored. The goal of emergency restoration splicing shall be to restore service as quickly as possible. This may require the use of some type of mechanical splice, such as the "3M Fiber Lock" to complete the temporary restoration. Within forty-eight (48) hours after completion of an Emergency Unscheduled Maintenance by City, City shall commence its planning for permanent repair if applicable, and shall notify Developer of such plans and shall implement and complete such permanent repair within seven (7) days. Permanent restorations will take place as soon as practicable after the temporary repairs are completed.

5.3 Cooperation. Each Party agrees to work in a cooperative manner with the other Party to attempt to identify maintenance and repair problems in the Developer Fiber and Access Points, and communicate in accordance with the contact/escalation list in Exhibit B hereto. Without limiting the generality of the foregoing and in the event that any Scheduled Maintenance or Unscheduled Maintenance requires a traffic roll or reconfiguration involving the Developer Fiber, electronic equipment or other facilities, then, each Party shall make its personnel available as reasonably necessary to accomplish the maintenance in a coordinated and cooperative manner.

5.4 Splice Enclosures. Neither Party shall open the splice enclosure of the other Party.

5.5 Contractors/Grantors. City may, in its reasonable discretion, contract with qualified third parties for the performance of the Services hereunder, provided it shall require its contractors, subcontractors, and designees to perform in accordance with requirements and procedures reasonably comparably to those set forth in this SLA. The use of any such contractors, subcontractors, or designees, shall not release City from liability for any of its obligations under this SLA.

6. CONTACT INFORMATION. Each Party shall provide the other Party with the names and telephone numbers of at least three (3) agents or representatives, in the order that the other Party shall contact them for reporting purposes and otherwise regarding the performance of Maintenance Services hereunder (the "Contact/Escalation List"). Each Party's initial Contact/Escalation List is set forth in Exhibit B, which such list may be updated from time to time by the applicable Party.

7. FAILURE TO PROVIDE MAINTENANCE SERVICES. If at any time during the Term of the IRU Agreement, City fails to provide restoration services for the

Exhibit "E"
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Developer Fibers in connection with City's provision of Maintenance Services, the Parties' respective rights therewith shall be governed by Section 6.2 of the IRU Agreement.

8. CONFIDENTIAL INFORMATION. If either party provides confidential and/or proprietary information to the other in writing and identified as such, the protection of such information by the receiving party shall be governed by Section 20 ("CONFIDENTIALITY") of the IRU Agreement.

9. INSURANCE. During the term of this SLA, both Parties shall maintain a policy of comprehensive liability insurance, including public liability, bodily injury, and property damage, written by a company licensed to do business in the State of Texas, covering use and activity contemplated by this SLA with combined single limits of no less than One Million Dollars ($1,000,000.00) per occurrence and Two Million Dollars $2,000,000.00 aggregate, with Two Million Dollar ($2,000,000.00) umbrella coverage. Each party shall name the other, including their officers, employees, and agents as Additional Insureds for the said purpose and use of this SLA. Each Party shall also maintain Workers' Compensation insurance to meet the requirements of the Workers' Compensation laws of Texas where applicable. Certificates of Insurance evidencing such insurance coverage shall be provided to the other Party upon request.

10. ASSIGNMENT. This SLA may not be assigned by either party without the prior written approval of other party. Notwithstanding the foregoing, nothing herein shall limit City, at its sole discretion and without notification to or consent of Developer, from retaining such qualified contractors and subcontractors as it deems appropriate to perform its obligations hereunder.

11. USE OF NAMES AND MARKS. Neither Party may use the marks or names of the other for any purposes without the prior written approval of that Party.

12. GOVERNING LAW; EXCLUSIVE JURISDICTION. This SLA shall be governed, construed, and enforced by the laws of the State of Texas, and venue over this SLA shall be in Hidalgo County, Texas.

13. TERMINATION. Either Party may terminate this SLA upon thirty (30) days prior written notice upon a Default by the other Party or termination of the IRU Agreement, provided that City shall be paid for satisfactory services rendered under this SLA prior to the effective date of its termination and Developer shall be refunded that portion of the Annual Maintenance Charge for the remaining number of days in the year from the date of termination. In the event of termination of this SLA, Developer shall have the right to provide or procure Maintenance Services for the Developer Fibers in accordance with Section 7, hereof.

14. DEFAULT AND REMEDIES.

14.1 Default. A default under this SLA ("Default") shall occur if a Party fails to perform, in any material respect, any of its obligations set forth in this SLA, and such failure is not excused by any provision of this SLA and continues un-remedied for a period of thirty (30) days following receipt of written notice from the non-breaching Party, provided that if the breach by its nature cannot be cured within thirty (30) days and the breaching Party within that time has

commenced to cure, there shall be no Default so long as the Party thereafter diligently continues such cure to completion.

14.2 Remedies. Upon the occurrence of a Default, the non-breaching Party shall have the right, subject to the express limitations contained in this SLA, to pursue any and all legal or equitable remedies it may have against the defaulting Party, including termination of the SLA and the rights of Developer (if it is the non-breaching Party) to obtain a refund of the portion of the Annual Maintenance Charge for the remaining number of days in the year from the date of termination.

14.3 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE TO THE OTHER, WHETHER IN CONTRACT, TORT, BY INDEMNITY OR OTHERWISE, FOR ANY PUNITIVE, SPECIAL, INDIRECT, INCIDENTAL, EXEMPLARY OR CONSEQUENTIAL DAMAGES OR ANY LOST BUSINESS DAMAGES IN THE NATURE OF LOST REVENUES OR PROFITS (WHETHER ARISING OUT OF TRANSMISSION INTERRUPTIONS OR PROBLEMS, ANY INTERRUPTION OR DEGRADATION OF SERVICE OR OTHERWISE) AS A RESULT OF THE PERFORMANCE OR NONPERFORMANCE OF ITS OBLIGATIONS UNDER THIS AGREEMENT. ANY LIABILITY FOR INTERRUPTIONS OR OUTAGES, SHALL BE LIMITED TO REPLACEMENT OR REPAIR OF THE AFFECTED FIBER IN ACCORDANCE WITH THE TERMS OF THIS MAINTENANCE AGREEMENT.

14.4 Further Remedies – Right-of-First Refusal. In the event that the City is unable to perform services as required under this SLA, then the Developer may exercise its Right-of-First Refusal to purchase the existing fibers in use OR pull new fiber cable in existing City conduit to replace the existing Developer Fibers.

15. COMPLIANCE WITH STATE AND FEDERAL LAWS. The Parties shall comply with all applicable federal and State laws.

16. ENTIRE AGREEMENT. This SLA, along with the IRU Agreement, and the Development Agreement (including Exhibit E thereto), comprises and sets forth the entire agreement between the Parties as of the date of the final signature below with respect to the subject matter of the SLA, and supersedes any previous written or oral representations, statements, negotiations, or agreements, other than those contained in the Development Agreement and its Exhibits.

17. NO AGENCY OR EMPLOYMENT RELATIONSHIP. This SLA shall in no way be interpreted as creating an agency, joint venture, partnership, or other legally recognizable partnership entity, or employment relationship between the Parties.

18. SEVERABILITY. If any part of this SLA is held to be in violation of any law, the provisions held to be invalid shall be of no force and effect, but all of the other provisions of this SLA shall continue to be binding on the Parties.

19. MODIFICATION IN WRITING. This SLA may be modified only by written amendment executed by the authorized representatives of both Parties.

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20. SURVIVAL. The rights and obligations of the Parties under this SLA that would by their nature survive the expiration or termination of this SLA shall survive the expiration or termination of this SLA. Notwithstanding the foregoing, the provisions of Sections 7, 9, 15, 21, 22 shall survive termination of this SLA.

21. INDEMNIFICATION.

21.1 Indemnification by Developer. Developer hereby agrees to indemnify, defend and hold harmless City, its officers, employees, agents and all successors of City, from all claims, actions, causes of action, demands, rights, damages, costs, sums of money, accounts, covenants, contracts, promises, attorneys' fees and all liabilities or obligations of any kind or nature whatsoever at law, in equity, or otherwise, asserted by third parties arising out of or relating to Developer's negligent or willful acts or omissions in performance of this SLA.

21.2 Indemnification by City. To the extent permitted by law, City hereby agrees to indemnify, defend and hold harmless Developer, its officers, employees, agents and all successors of Developer, from all claims, actions, causes of action, demands, rights, damages, costs, sums of money, accounts, covenants, contracts, promises, attorneys' fees and all liabilities or obligations of any kind or nature whatsoever at law, in equity, or otherwise, asserted by third parties arising out of or relating to City's negligent or willful acts or omissions in performance of this SLA

22. NOTICES. All notices, demands and requests required or permitted to be given under the provisions of this SLA shall be (a) in writing, (b) delivered by facsimile transmission with confirmation of delivery, or sent by overnight commercial delivery service or certified mail, return receipt requested. Notice shall be deemed to have been given on the date of transmission and receipt of facsimile transmissions, or the delivery date set forth in the records of the delivery service or on the return receipt when addressed as follows:

If to City:

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

With a copy to:

City Attorney's Office
Attn: Kevin D. Pagan
1300 Houston Avenue
McAllen, Texas 78501
Phone: (956) 681-1000

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If to Developer:

Rhodes Enterprises, Inc.
Attn: Mike Rhodes, President
200 S. 10th Street
McAllen, Texas 78501
Phone: (956) 287-2800

With a copy to:

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

or to any such other persons or addresses as the Parties may from time to time designate in a writing delivered in accordance with this Section 22.

EXECUTED ON THIS 9th DAY of March, 2015 to be effective on the date hereof.

CITY OF MCALLEN

By: _____
Name: Jim DARLING
Title: MAYOR

DEVELOPER

By: _____
Name: Mike Rhodes
Title: pres Rhodes Enterprises Inc

RHODES ENTERPRISES, INC. CORPORATE SEAL 1994 TEXAS

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Exhibit A- SLA*

ROUTE SEGMENTS SUBJECT TO MAINTENANCE AGREEMENT**							
Route No.	Start Point	End Point	Distance	Number of Developer Fibers	____ Fee	____ Fee	Total Fee
1	B	A	14.79 mi	12			
2	F	G	7.30 mi	12			
3	G	I	1.99 mi	12			
4	G	H	2.50 mi	12			
						Total Fee	***

* NOTE – Only route segments listed above are included in this SLA. Route segments may be added to this SLA from time to time at the request of the Developer as it expands the City's fiber cable plant and such additions shall be shown by update and amendment to this Exhibit A – SLA.

**For Route Segments, Start Points and End Points refer to Exhibit A of to the IRU Agreement.

*** See Attachment 4 to Exhibit E – Section 3 (Payments)

Exhibit "E"
Fiber Optic Infrastructure and Special Technology Provisions

Exhibit B - SLA

Contact/Escalation List

CITY ESCALATION LIST					
No.	Name	Email Address	1st Phone Number	2nd Phone Number	3rd Phone Number
1					
2					
3					

DEVELOPER ESCALATION LIST					
No.	Name	Email Address	1st .Phone Number	2nd Phone Number	3rd Phone Number
1	Joe Jarmusch	joej@mlrhodes.com	956-328-6644	956-316-4090 Ext.741	956-287-2800
2	Lorell Hathcock	lorell@mlrhodes.com	956-478-5955	956-316-4090 Ext.743	956-287-2800
3	Joe Farias	joef@mlrhodes.com	956-522-8512	956-316-4090 Ext.742	956-287-2800

EXHIBIT "F"

Sewer and Recycled Water Provisions

1) The City of McAllen, acting by and through the Board of the McAllen Public Utilities Board (the "PUB") shall provide public retail sewer service to the Project within the Zone, as such service levels and capacities as are required by the Project pursuant to the terms and conditions of the PUB's Certificate of Convenience and Necessity issued by the Texas omission on Environmental Quality and the regulations for sewer service passed and approved by the Board of the PUB and approved by the Commission of **CITY**.

2) The PUB agrees that it has reviewed the Development Agreement to which this **Exhibit "F"** is attached, and that it understands and agrees to the obligations for extension of sewer and recycled water service and utility infrastructure to the **ZONE** as set forth therein.

3) With respect to recycled water service to the **ZONE** for the use and benefit of the proposed PID, and the properties served thereby, the PUB agrees to:

   a) Install the required recycled water mains to the Zone on or before the 31 day of March, 2017;
   b) Return at no less than 80% of the potable water used by the retail water customers within the **ZONE** (as indicated by monthly meter readings) back to the PID for use in serving the **ZONE** with recycled water service delivered at a point identified by the PID; and
   c) Assure that the recycled water delivered has a water quality equal to or better than the minimum water quality requirements set forth in 30 Texas Administrative Code §210.33(1).

Agreed to by and between **DEVELOPER** and PUB on this ___ day of _____, 2015.

PUB:

By:_____

_____
Printed Name

_____
Title

DEVELOPER:

By: Mike Rhodes

Mike Rhodes
Printed Name

Pres Rhodes Enterprises Inc
Title

RHODES ENTERPRISES, INC. CORPORATE SEAL 1994 TEXAS

EXHIBIT "G"

Insurance Requirements

STANDARD INSURANCE REQUIREMENTS
CONSTRUCTION/SERVICES/PROFESSIONAL SERVICES

The Certificate of Insurance should be made to the City of McAllen, P.O. Box 220, McAllen, TX 78505-0220, (1300 Houston, McAllen, Texas 78501) and should reference the operation.

All certificates must be received prior to commencement of service/work. All Certificates of insurance shall be approved by the Risk Manager and/or his/her designated representative **prior** to the commencement of any work.

In the event the insurance coverage expires prior to the completion of this contract, a renewal certificate shall be issued thirty (30) days prior to said expiration date. The City must be notified at least thirty (30) days prior to any material change in and/or cancellation and/or non-renewals of such policies.

The term "City" shall include The City of McAllen and/or McAllen Public Utilities (MPU) and their employees, officers, officials, agent, and volunteers in respect to the contracted services. Any failure on the part of the City to request required insurance documentation shall not constitute a waiver of the insurance requirement.

The City reserves the right to make reasonable requests or revisions pertaining to the types and limits of that coverage.

During the term of the Contract, the successful contractor/respondent/selected firm shall acquire and maintain, for the duration of the contract period the following insurances:

A. **Comprehensive Commercial General Liability:** The Contractor/Respondent/Selected Firm shall provide minimum limits of $250,000 each occurrence, $500,000 annual aggregate combined single limit for bodily injury and property damage liability. This shall include premises/operations, independent contractors, products, completed operations, personal and advertising injury, and contractual liability. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs maintained by the City and shall name the "City of McAllen" as an additional insured with a waiver of subrogation. The policy of insurance shall be written on an "occurrence" form.

Blanket "XCU" – Explosion, Collapse & Underground
Independent Contractors
Care, Custody and Control
Contractual Liability

No endorsements excluding these coverage's are allowed.

Additional Insured Requirement:
To the fullest extent of coverage allowed under Chapter 151 of the Texas Insurance Code, the City of McAllen and/or McAllen Public Utilities (MPU) shall be included as additional insured under the CGL policy, using ISO Additional Insured Endorsements CG20101001 and CG20371001, or endorsements providing equivalent coverage, including products completed operations

STANDARD INSURANCE REQUIREMENTS - CONSTRUCTION/SERVICES/PROFESSIONAL SERVICES CONTINUED:

B. **Business Automobile Liability:** The Contractor/Respondent/Selected Firm shall maintain limits of no less than $250,000 combined single limit per occurrence for bodily injury and property damage, and $500,000 annual aggregate. This insurance shall apply as primary insurance with respect to any other insurance or self-insurance programs maintained by the City and shall name the "City of McAllen" as an additional insured with a waiver of subrogation. The policy of insurance shall be written on an "occurrence" form.

Applicable as long as no fragile or perishable products are transported; otherwise, Cargo Insurance is required.

Additional Insured Requirement:
To the fullest extent of coverage allowed under Chapter 151 of the Texas Insurance Code, the City of McAllen and/or McAllen Public Utilities (MPU) shall be included as additional insured under the CGL policy, using ISO Additional Insured Endorsements CG20101001 and CG20371001, or endorsements providing equivalent coverage, including products completed operations

C. **Builder's Risk/Fire & Extended Coverage**
The Contractor shall insure the building or other work included in this contract on an all-risk (special causes of loss) policy, with an insurance company or companies acceptable to the Owner. The amount of the insurance at all times to be at least equal to the amount paid on account of work and material and plus the value of the work or materials furnished or delivered but not yet paid for by the Owner. Builder's Risk Policies shall cover loss of materials by theft, vandalism, malicious mischief or other loss whether materials are incorporated in the work or not.

The policies shall be in the names of the City and the Contractor, as their interests may appear, and certificates of insurance shall be delivered to the Owner before monthly partial payments are made. The policy shall provide for the inclusion of names of all other contractors, subcontractors and other employed on the premises as ensured and shall stipulate that the insurance companies shall have no right to subrogation against any contractors, subcontractors or other parties employed on the premises for any work building alterations, construction or erection to the described property.

D. **Workers' Compensation:** The contractor/respondent/selected firm shall provide and maintain workers' compensation insurance for all employees in the full amount required by statute and full compliance with the applicable laws of the State of Texas. Employer's Liability insurance shall be provided in amounts not less than $500,000 per accident for bodily injury by accident; $500,000 policy limit by disease; and $500,000 per employee for bodily injury by disease."

In addition, a Waiver of Subrogation Endorsement shall be provided by the contractor naming the City of McAllen in said policy for Worker's Compensation Insurance. Contractor/Respondent/Selected Firm shall further ensure that all of its sub-contractors maintain appropriate levels of workers' compensation insurance.

STANDARD INSURANCE REQUIREMENTS - CONSTRUCTION/SERVICES/PROFESSIONAL SERVICES CONTINUED:

E. **Professional Services - Insurance Provisions:** Errors & Omissions (Professional Liability): $1,000,000 Each Claim Limit $1,000,000 Aggregate Limit. If coverage is written on a claims-made basis, the retroactive date shall be on or prior to the date of the contractual Agreement. The certificate of insurance shall state that the coverage is claims-made and include the retroactive date. The insurance shall be maintained for the duration of the contractual Agreement and for four (4) years following completion of the services provides under the contractual Agreement or for the warranty period, whichever is longer. An annual certificate of insurance submitted to the City shall evidence coverage.

F. **Deductible Clause:** Contractor/Respondent/Selected Firm to declare self-insured retention or deductible amounts in excess of $25,000.

G. **Other Provisions:** All insurance carriers shall be rated A6 or better and be published on a current A.M. Best Rating Guide, or some other recognized equivalent rating service (e.g., Moody's, Standard & Poor's). The City may request a copy of the insurance policy according to the nature of the project. City reserves the right to accept or reject the insurance carrier. All Certificates of Insurance shall be provided on the Acord Form 25. All insurance requirements are imposed and must be complied with by any and all sub-contractors, and/or lower-tier sub-contractors. A copy of endorsements providing Additional Insured, Primary Insurance and Waiver of Subrogation wording shall be attached to the certificates of insurance.