INTERLOCAL AND TRIPARTY AGREEMENT

This Interlocal and Triparty Agreement (this *"Agreement")* is made as of April __, 2017, by and between the **CITY OF LEAGUE CITY, TEXAS**, a municipal corporation and a home-rule city in the State of Texas (the "*City*"), **REINVESTMENT ZONE NUMBER FOUR, CITY OF LEAGUE CITY, TEXAS** (the *"Zone"),* a tax increment reinvestment zone created by the City pursuant to Chapter 311 of the Texas Tax Code, as amended, acting by and through its governing board of directors (the *"Zone Board"),* and **WESTWOOD DEVELOPMENT, LTD**., a Texas Limited Partnership (the *"Developer").*

W I T N E S S E T H:

WHEREAS, the City created the Zone by Ordinance No. 2002-60, dated January 14, 2003 (the "*Ordinance*");

WHEREAS, the Texas Tax Code provides that the Zone may enter into agreements as the Zone Board considers necessary or convenient to achieve its purposes;

WHEREAS, pursuant to a project plan for the Zone, the Developer financed construction of project facilities, including portions of major thoroughfares (League City Parkway and Maple Leaf Drive) with related utilities and landscaping, detention facilities, and land for acquired detention, and the City wishes to acquire the Developer's interest in a portion of such project facilities as described in Exhibit A (the "*Acquisition Facilities*");

WHEREAS, in exchange for the payment by the City of the cost of the Acquisition Facilities, the Developer agrees to assign its rights to the portion of the future payments of all or part of the net tax increment under the development agreement entered on April 25, 2006, between the City, the Zone, and the Developer (the "*Development Agreement*") that would otherwise be paid to the Developer with respect to the Acquisition Facilities; and

NOW, THEREFORE, for and in consideration of the mutual promises, covenants, obligations, and benefits of this Agreement, the Zone, the City, and the Developer contract and agree as follows:

ARTICLE 1
GENERAL TERMS

1.1 Definitions. The terms *Agreement, Developer, City, Ordinance, Zone,* and *Zone Board* have the meanings set forth in the preamble hereof, and the following capitalized terms shall have the meanings provided below, unless otherwise defined or the context clearly requires otherwise. For purposes of this Agreement the words "shall" and "will" are mandatory, and the word "may" is permissive, except that "may not" is a prohibition.

Acquisition Facilities shall mean project facilities described in Exhibit A.

Act shall mean the Tax Increment Financing Act, Chapter 311, Texas Tax Code, as amended.

County shall mean Galveston County, Texas.

Developer Advances shall mean any funds advanced by the Developer for the Acquisition Facilities pursuant to **Section 6.1** of the Developer Agreement, and shall include any interest payable thereon.

Development Agreement shall mean the Development Agreement entered into by the City, the Zone, and the Developer on April 25, 2006.

Net Tax Increment shall mean the annual collections of the Tax Increment, less amounts reasonably required or anticipated to be required for the administration and operation of the Zone, including a reasonable operating reserve.

Parties or *Party* shall mean the City, Zone, and the Developer as parties to this Agreement.

Project shall mean the residential and commercial development within the Zone projected to be carried out by the Developer, as set forth in the Project and Financing Plan.

Project and Financing Plan shall mean the final project plan and reinvestment zone financing plan for the Zone as approved by City Council, as amended from time to time.

Series 2017 Certificates shall mean the City's Combination Tax and Revenue Certificates of Obligation, Series 2017.

Tax Increment shall mean funds deposited in the Tax Increment Fund by the City, composed of funds received pursuant to those certain Interlocal Agreements or similar agreements between the City, the County, and the Zone.

Tax Increment Fund shall mean the special fund established by the City in the Ordinance and funded with Tax Increment payments made by the City, as and referred to in the Development Agreement as the "TIRZ Revenue Fund."

1.2 Singular and plural; gender. Words used herein in the singular, where the context so permits, also include tire plural and vice versa. The definitions of words in the singular herein also apply to such words when used in the plural where the context so permits and vice versa. Likewise, any masculine references shall include the feminine, and vice versa.

ARTICLE 2
REPRESENTATIONS

2.1 Representations of the Developer. The Developer hereby represents that:

(A) The Developer is duly authorized, created, and existing under the laws of the State of Texas, is qualified to do business in the State of Texas, and is duly qualified to do business wherever necessary to carry on the operations contemplated by this Agreement.

(B) The Developer has the power, authority, and legal right to enter into and

perform its obligations set forth in this Agreement, and the execution, delivery, and performance hereof, (i) have been duly authorized, (ii) will not, to the best of its knowledge, violate any judgment, order, law, or regulation applicable to the Developer or any provisions of the Developer's partnership agreement or other governing documents, and (iii) does not constitute a default under or result in the creation of, any lien, charge, encumbrance, or security interest upon any assets of the Developer under any agreement or instrument to which the Developer is a party or by which the Developer or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding obligation of the Developer, enforceable in accordance with its terms.

(D) The Developer warrants that it owns rights in the Acquisition Facilities, and has not assigned or otherwise incumbered any of its rights to the Net Tax Increment or the Acquisition Facilities.

2.2 Representations of the Zone. The Zone hereby represents that:

(A) The Zone is duly authorized, created, and existing under the laws of the State and is duly qualified and authorized to carry on the governmental functions and operations as contemplated by this Agreement.

(B) The Zone has the power, authority, and legal right to enter into and perform this Agreement and the execution, delivery, and performance hereof (i) have been duly authorized, (ii) will not, to the best of its knowledge, violate any applicable judgment, order, law or regulation, and (iii) does not constitute a default under, or result in the creation of, any lien, charge, encumbrance or security interest upon any assets of the Zone under any agreement or instrument to which the Zone is a party or by which the Zone or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed, and delivered by the Zone and, constitutes a legal, valid, and binding obligation of the Zone, enforceable in accordance with its terms.

(D) The execution, delivery, and performance of this Agreement by the Zone does not require the consent or approval of any person which has not been obtained.

2.3 Representations of the City. The City hereby represents that:

(A) The City is a municipal corporation and home-rule city of the State of Texas, principally situated in the County, acting by and through its governing body, the City Council, and is duly qualified and authorized to carry on the governmental functions and operations contemplated by this Agreement.

(B) The City has the power, authority, and legal right to enter into and perform this Agreement and the execution, delivery, and performance hereof (i) have been duly authorized, (ii) will not, to the best of its knowledge, violate any applicable judgment, order, law,

or regulation, and (iii) does not constitute a default under, or result in the creation of, any lien, charge, encumbrance, or security interest upon any assets of the City under any agreement or instrument to which the City is a party or by which the City or its assets may be bound or affected.

(C) This Agreement has been duly authorized, executed and delivered by the City and, constitutes a legal, valid, and binding obligation of the City, enforceable in accordance with its terms.

2.4 The execution, delivery, and performance of this Agreement by the Zone does not require the consent or approval of any person which has not been obtained.

ARTICLE 3
THE ACQUISITION FACILITIES

3.1 The Acquisition Facilities. The Acquisition Facilities are intended to allow development within the Zone, as more fully described in the Project and Financing Plan.

3.2 Acquisition Facilities description. The Acquisition Facilities consist of acquisition, construction, and development of the public improvements within the portion of the Zone comprising the Project, as more fully described in Exhibit A, and are included in the Project and Financing Plan. The Developer has financed construction or acquisition of the Acquisition Facilities, and construction or acquisition of the Acquisition Facilities is complete.

3.3 The Developer Advances.

(a) In connection with the construction of the Acquisition Facilities, the Developer has advanced sufficient funds as such became due for all costs thereof (the "Developer Advances"), constituting "project costs," as defined in the Act, including costs of design, engineering, materials, labor, construction, acquisition, and inspection fees arising in connection with the Acquisition Facilities, all payments arising under any contracts entered into pursuant to the Development Agreement, all costs incurred in connection with obtaining governmental approvals, certificates, or permits required as a part of any contracts entered into in accordance with the Development Agreement, and all related legal fees and out-of-pocket expenses incurred on behalf of the Zone in connection therewith.

(b) Interest on each Developer Advance shall accrue from the date such Developer Advance was made at the per annum rates provided in this Section, and unpaid interest shall compound annually on the anniversary of the Developer Advance at the rates in effect from time to time pursuant to this Section. When a Developer Advance is made, the per annum interest rate accrued on the Developer Advance is the per annum net effective interest rate of the City's most recently issued debt secured in whole or in part by ad valorem tax revenues. Thereafter, when the City issues additional debt secured in whole or in part by ad valorem tax revenues, the rate of accrual on the Developer Advance will change to be the net effective interest rate on such most recently issued additional debt.

3.4 Acquisition of Acquisition Facilities.

(a) In exchange for payment by the City of the acquisition cost, which shall be the amount of the Developer Advances for Acquisition Facilities plus interest compounded annually at the per annum rate set in Section 3.3 above, from the date the Developer Advance was made through the date of payment by the City of the acquisition cost, less such amounts, including interest, previously paid to the Developer for the Acquisition Facilities (the "Acquisition Cost"), the Developer shall simultaneously transfer all of its rights and interest in the Acquisition Facilities to the City and future payments of the Net Tax Increments in an amount sufficient to pay the portion of the Series 2017 Certificates, including allocable costs of issuance, issued to finance the Acquisition Cost, amortized over the remaining life of the Zone as of the date of this Agreement (the "Transferred Payments").

(b) The Zone shall hire a certified public accountant to calculate the amount due the Developer and prepare and submit a report to the Zone certifying (1) the Acquisition Cost, including a list of the Acquisition Facilities, and (2) the amount and timing of Transferred Payments due to the City. Such report shall be approved at the earliest practicable time, but not later than 90 days after submission by the Developer of the records required therefor.

(c) The Zone shall provide to the Developer, upon the written request of the Developer, and on the earliest date such information is available after the date of such request, certified copies of all statements of revenue and the sources of such revenue of the Zone the intended use of which is to verify the availability of funds for payment to the City of the Transferred Payments under this section.

(d) The Parties acknowledge that any future payments to the Developer under the Development Agreement are limited to Net Tax Increment received by the Zone, and that the Parties agree that any future payment to the Developer of any future Net Tax Increment is expressly made subordinate to the payments to the City of the full amount of the Transferred Payments.

3.5 Priorities. Amounts deposited in the Tax Increment Fund shall be applied in the following order of priority (i) administrative costs of the Zone, (ii) payments to the City of the Transferred Payments, and (iii) reimbursement to the Developer pursuant to the Development Agreement of additional developer advances and interest thereon.

3.6 Multiple developers. The City and the Zone may enter into other agreements with developers of land within the Zone for the financing of improvements. It is the intention of the Parties that the each developer shall be responsible for the creation of Tax Increment required for its own reimbursement. In such case, with respect to other developers, the Tax Increment generated within the Project shall not be considered in determining whether sufficient Net Tax Increment exists for direct payment of available Net Tax Increment unless the Developer shall give its written consent thereto.

ARTICLE 4
GENERAL

4.1 Inspections, audits. The Developer agrees to keep such operating records with respect to the Project and other activities contemplated by this Agreement and all costs

associated therewith as may be required by the City, the Zone, or by State and federal law or regulation. The Developer shall allow the Zone access to, and the Zone shall have a right at all reasonable times to audit, all documents and records in the Developer's possession, custody or control relating to the Project that the Zone deems necessary to assist the Zone in determining the Developer's compliance with this Agreement.

4.2 Developer operations and employees. All personnel supplied or used by the Developer in the performance of this Agreement shall be deemed employees, contractors, or subcontractors of the Developer, as applicable, and will not be considered employees, agents, contractors, or subcontractors of the Zone, or the City for any purpose whatsoever. The Developer shall be solely responsible for the compensation of all such contractors and subcontractors.

4.3 Personal liability of public officials, legal relations. No director, officer, employee or agent of the Zone or the City shall be personally responsible for any liability arising under or growing out of this Agreement.

4.4 Notices. Any notice sent under this Agreement (except as otherwise expressly required) shall be written and mailed, or sent by electronic or facsimile transmission confirmed by mailing written confirmation at substantially the same time as such electronic or facsimile transmission, or personally delivered to an officer of the receiving Party at the following addresses:

City of League City
Attn: City Manager
300 West Walker Street
League City, Texas 77573

Reinvestment Zone Number Four, City of League City
c/o Hawes Hill Calderon, LLP
P.O. Box 22167
Houston, Texas 77227-2167

Westwood Development, Ltd.
P.O. Box 936
League City, Texas 77573

Each Party may change its address by written notice in accordance with this section. Any communication addressed and mailed in accordance with this section shall be deemed to be given when so mailed, any notice so sent by electronic or facsimile transmission shall be deemed to be given when receipt of such transmission is acknowledged, and any communication so delivered in person shall be deemed to be given when receipted for by, or actually received by, the City, the Zone, or the Developer, as the case may be.

4.5 Amendments and waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is signed by the Zone, the City and the Developer. No course of dealing on the part of the Parties, nor any failure or delay by one or

more of the Parties, with respect to exercising any right, power or privilege under this Agreement shall operate as a waiver thereof, except as otherwise provided in this section.

4.6 Successors and assigns. All covenants and agreements contained by or on behalf of a Party in this Agreement shall bind its successors and assigns and shall inure to the benefit of the other Parties, their successors and assigns. The Parties may assign their rights and obligations under this Agreement or any interest herein, only with the prior written consent of the other Parties, and any assignment without such prior written consent, including an assignment by operation of law, is void and of no effect. This section shall not be construed to prevent the Developer from selling all or a portion of the property within the Zone in the normal course of business; provided that any such purchaser or assignee must specifically assume all of the obligations of the Developer hereunder. If such assignment of the obligations by the Developer hereunder is effective, the Developer shall be deemed released from such obligations. If any assignment of the obligations by the Developer hereunder is deemed ineffective or invalid, the Developer shall remain liable hereunder.

4.7 Exhibits; titles of articles, sections and subsections. 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 in the event of any conflict between any of the provisions of such exhibits and the provisions of this Agreement, the provisions of this Agreement shall prevail. All titles or headings are only for the convenience of the Parties and shall not be construed to have any effect or meaning as to the agreement between the Parties hereto. Any reference herein to a Section or subsection shall be considered a reference to such section or subsection of this Agreement unless otherwise stated. Any reference herein to an exhibit shall be considered a reference to the applicable exhibit attached hereto unless otherwise stated.

4.8 Construction. This Agreement is a contract made under and shall be construed in accordance with and governed by the laws of the United States of America and the State of Texas, as such laws are now in effect.

4.9 Entire Agreement. THIS WRITTEN AGREEMENT REPRESENTS THE FINAL AGREEMENT BETWEEN THE PARTIES AS TO THE MATTERS HEREIN AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS, OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE PARTIES. THE DEVELOPMENT AGREEMENT REMAINS IN EFFECT TO THE EXTENT IT IS NOT SUPERSEDED HEREBY, BUT IN THE EVENT OF ANY CONFLICT BETWEEN THE TERMS OF THIS AGREEMENT AND THE DEVELOPMENT AGREEMENT, THIS AGREEMENT SUPERSEDES THE DEVELOPMENT AGREEMENT.

4.10 Term. This Agreement shall be in force and effect from the date of execution hereof for a term expiring on the date that Transferred Payments are paid in full, or January 1 of the year following the expiration of the Zone.

4.11 Time of the essence. Time is of the essence with respect to the obligations of the Parties to this Agreement

4.12 Approval by the Parties. Whenever this Agreement requires or permits approval or consent to be hereafter given by any of the Parties, the Parties agree that such approval or consent shall not be unreasonably conditioned, withheld or delayed.

4.13 Counterparts. This Agreement may be executed in multiple counterparts, each of which when so executed and delivered shall be deemed an original, but such counterparts together shall constitute but one and the same instrument.

4.14 Legal costs. To the extent authorized by law with respect to the City or the Zone, if any Party hereto is the prevailing party in any legal proceedings against another Party brought under or with relation to this Agreement, such prevailing Party shall additionally be entitled to recover court costs and reasonable attorneys' fees from the non-prevailing Party to such proceedings.

4.15 Further assurances. Each Party hereby agrees that it will take all actions and execute all documents necessary to fully carry out the purposes and intent of this Agreement.

IN WITNESS WHEREOF, the Parties hereto have caused this instrument to be duly executed as of the date first written above.

CITY OF LEAGUE CITY, TEXAS

By:_____
Name: Pat Hallisey
Title: Mayor

REINVESTMENT ZONE NUMBER FOUR, CITY OF LEAGUE CITY, TEXAS

By:_____
Name: Javier Morales
Title: Chairman

WESTWOOD DEVELOPMENT, LTD.

By:_____
Name:
Title:

Exhibit A
The Acquisition Facilities

1. Property, infrastructure, roadway and sidewalk improvements within the 100 foot Right of Way of Maple Leaf Drive associated with Sections 1, 2, 3 and 7 of Westwood Subdivision.

2. Property, infrastructure, roadway and sidewalk improvements within the 120 foot Right of Way of League City Parkway associated with Sections 3 and 7 of Westwood Subdivision.

3. Property and stormwater detention improvements within Section 1 Detention Reserve A consisting of 4.56 acres and Detention Reserve B consisting of 7.45 acres.

4. Property and stormwater detention improvements within Section 3 Restricted Reserve G consisting of 6.496 acres.

5. Property and stormwater detention improvements within Section 4 Restricted Reserve A consisting of 4.5339 acres.