

AGREEMENT FOR PAYMENT IN LIEU OF AD VALOREM TAXES

THIS AGREEMENT FOR PAYMENT IN LIEU OF AD VALOREM TAXES (the "Agreement"), dated as of _____, 2015, by and between the City of League City, Texas (the "City"), a political subdivision and municipal corporation of the State of Texas, and Happy Harbor Methodist Home, Inc. d/b/a MRC The Crossings, a Texas nonprofit corporation (together with successors and assigns, the "Borrower").

W I T N E S S E T H

WHEREAS, the Borrower requested the Red River Health Facilities Development Corporation (the "Issuer") to assist in financing and refinancing the costs of the acquisition, construction, equipping, and improvement of a continuing care retirement community situated in League City, Galveston County, Texas (the "Project"); and

WHEREAS, in order to provide permanent financing for construction of the Project, and at the request of the Borrower, the Issuer agreed to issue its Continuing Care Retirement Community Revenue Bonds (MRC The Crossings Project) Series 2014 (the "Bonds"); and

WHEREAS, the Project is exempt from ad valorem taxes pursuant to Section 11.18 of the Texas Tax Code (the "Exemption"); and

WHEREAS, the City Council of the City has authorized the execution of this Agreement on behalf of the City by Ordinance _____ adopted on _____.

NOW, THEREFORE, by and for the consideration of the mutual covenants contained herein, as well as other good and valuable consideration, the receipt and sufficiency of which is hereby mutually acknowledged, the parties hereto agree as follows:

1. Amount of Payment. The amount of payment due to the City with respect to the Project during the calendar year after which the first resident moves into the Project (the "Assessment Condition") will be Seventy-Six Thousand Dollars (\$76,000) (the "Initial Payment"). The City will not assess any tax and the Borrower is under no obligation to make the Initial Payment to the City until the Assessment Condition is satisfied. For each calendar year following the calendar year during which the Initial Payment was made, assuming the Borrower continues to own the Project and continues to qualify for the Exemption, the amount due to the City with respect to the Project (a "Successive Payment") will be based on the amount paid in the prior calendar year, multiplied by a factor reflecting inflation (the "Annual Increase Factor"). The Annual Increase Factor will be equal to the Bureau of Labor Statistics' Consumer Price Index for Urban Consumers ("CPI-U") for the Houston metropolitan area, as of the month of June following the most recent Successive Payment made to the City. Notwithstanding the foregoing, the Annual Increase Factor shall never exceed 4% and shall never be a negative number.

The City hereby agrees that the Initial Payment and each Successive Payment is sufficient to compensate the City for (a) the amount of money the Borrower would be obligated to pay to the City in each calendar year as ad valorem taxes on the land comprising the Project on January 1 of each calendar year after the Assessment Condition is satisfied and treated as vacant land, if such land was within the City for general municipal purposes during all of such year, and (b) the amount of money the Borrower would be obligated to pay to the City in each calendar year as ad

valorem taxes on all other tangible property, real, personal, or mixed, situated on the land comprising the Project of January 1 of each calendar year after the Assessment Condition is satisfied, if such land was within the City for general municipal purposes during all of such year.

2. Timing of Payment. The Borrower will pay to the City an amount equal to the Initial Payment or the Successive Payment, as applicable, on or before January 31 of the calendar year after which taxes are assessed. Any amount of the Initial Payment or Successive Payment not paid by January 31 of the calendar year will be delinquent and charges for penalty and interest on the unpaid balance of such Initial Payment or Successive Payment will bear penalty as set forth below:

Cumulative Month	Penalty	Cumulative Interest	Total
February	6%	1%	7%
March	7%	2%	9%
April	8%	3%	11%
May	9%	4%	13%
June	10%	5%	15%
July	12%	6%	18%

After July, penalty remains at 12%, and interest increases at the rate of 1% each month. In addition, if an account is delinquent in July, a 20% attorney's collection fee will be added to the total tax penalty and interest charge.

3. Term of the Agreement. This Agreement shall continue until the earlier to occur of (a) the loss of the Exemption, or (b) a foreclosure sale (by power of sale or judicial proceedings) or a conveyance in lieu of such a foreclosure sale under any applicable deed of trust, at which time the Agreement will automatically terminate and the provisions of Texas property tax law shall control.

4. Assignability. This Agreement is freely transferable by the Borrower to subsequent owners of the Project if the subsequent owners are using the Project for the purposes stated herein. If the Borrower assigns its rights and obligations in the Project to another entity and/or individual, the Borrower shall cease to be obligated to make payments to the City under this Agreement if the Borrower's assignee expressly assumes the Borrower's payment obligations under this Agreement and provides the City with an executed copy of the instrument whereby the assignee assumes such obligations.

5. Mediation. If any dispute arises relating to this Agreement (the "Dispute"), including, but not limited to, payment of any amounts due hereunder, then any party hereto may give written notice to the other party requesting that all parties attempt to resolve the dispute by mediation, or by such other form of Alternative Dispute resolution, as is recognized by the Alternative Dispute Resolution Act of the State of Texas, and upon which the parties agree in writing. Within seven (7) days after receipt of a mediation notice, in the absence of other written agreement by the parties, the parties shall deliver to each other a response notice of whether or not they will agree to mediation. Within seven (7) days after all parties agree to mediation, in the absence of other written agreement by the parties, the parties shall deliver to each other a list of proposed mediators. If the parties are unable to agree upon a mediator, each party shall designate a third party mediator who shall have authority to agree upon or designate a mediator. Once a

mediator is designated, by whatever manner, the parties shall set a mediation date within forty five (45) days of such designation, or the mediator shall have the authority to establish a mediation date of his choosing at any time up to and including sixty (60) days from the date of designation. If either party does not agree to mediation or if mediation fails to resolve the Dispute, either party may file a proceeding in the state district courts of Galveston County.

6. Notice. Any notice required or permitted to be given under this Agreement must be in writing and may be served by deposit in the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested; by delivery in person to such party; by overnight delivery service; or by facsimile. Notice given by mail shall be effective three (3) days after deposit in the United States mail and notice delivered in person, by delivery service, or by facsimile shall be effective upon receipt. For purposes of notice, the addresses of the parties are as follows:

CITY:

The City of League City, Texas
Mark Rohr
City Manager
300 West Walker
League City, Texas 77573

BORROWER:

Happy Harbor Methodist Home, Inc. d/b/a
MRC The Crossings
Attention: Mr. Don Stephens, CFO
1440 Lake Front Circle #110
The Woodlands, Texas 77380

7. Multiple Executions. This Agreement may be simultaneously executed in multiple counterparts, which, taken together, shall be considered as original, and all of which constitute one and the same instrument.

8. Severability Clause. If any term or provision of this Agreement or the application thereof to any party is, to any extent, held illegal, invalid, or unenforceable, or becomes unenforceable because of judicial construction, the remaining terms of this Agreement or the application thereof to any party shall not be affected thereby.

9. Complete Agreement. This Agreement is the entire Agreement between the parties hereto with respect to the subject matter hereof. There are no oral or other written agreements pertaining to this matter.

10. Modification. This Agreement shall be subject to change or modification only with mutual written consent of the parties.

11. Governing Law. This Agreement shall be construed in accordance with and governed by the laws of the State of Texas.

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AGREED AND ACCEPTED BY:

THE CITY OF LEAGUE CITY, TEXAS

City Manager

DATE: _____

ATTEST:

City Secretary

DATE: _____

[SEAL]

HAPPY HARBOR METHODIST HOME, INC.
d/b/a MRC THE CROSSINGS

By: Don Stephens
Treasurer

DATE: 7/14/15

STATE OF TEXAS

COUNTY OF GALVESTON

This instrument was acknowledged before me on _____ (date)
by Mark Rohr as City Manager of the City of League City, Texas.

Notary Public

Printed Name: _____

My Commission Expires: _____

STATE OF TEXAS

COUNTY OF MONTGOMERY

This instrument was acknowledged before me on July 14, 2015 (date)
by Don Stephens, as authorized representative of Happy Harbor Methodist Home, Inc.
d/b/a MRC The Crossings.

Cynthia Castillo

Notary Public

Printed Name: Cynthia Castillo

My Commission Expires: 4-4-19

