

**RECEIPT FOR PAYMENT AND
ACKNOWLEDGMENT OF ASSIGNMENT OF NET TAX INCREMENT**

WHEREAS, Reinvestment Zone Number Four, City of League City, Texas (the “Zone”), was organized for the purpose of providing public improvements to the land within the Zone as provided in the Project Plan and Financing Plan adopted in connection with the Zone; and

WHEREAS, Westwood Development, Ltd. (the “Developer”) entered into that certain Development Agreement with the City of League City, Texas (the “City” and together with the Zone and the Developer, the “Parties”) and the Zone, dated on or about April 25, 2006 (the “Development Agreement”), relating to the construction and financing of such public improvements within the Zone, and further providing for the reimbursement of the Developer for funds advanced for such projects from the Net Tax Increment (as defined in the hereinafter defined Interlocal Agreement); and

WHEREAS, the Parties have also entered into that certain Interlocal and Triparty Agreement, dated on or about April 19, 2017 (the “Interlocal Agreement”), whereby the City has agreed to issue its Combination Tax and Revenue Certificates of Obligation, Series 2017 (the “Certificates”) and use certain proceeds of the Certificates for the purpose, among others, of making a lump sum payment to the Developer to acquire certain of the public improvements financed by the Developer in accordance with the Development Agreement (the “Acquisition Facilities”), which such public improvements are identified within the Interlocal Agreement; and

WHEREAS, an agreed-upon procedures report prepared for the Zone by McCall Gibson Swedlund Barfoot PLLC, an independent certified public accounting firm, a copy of which is attached as **Exhibit A** hereto and incorporated herein for all purposes (the “Report”), indicates that, as of April 19, 2017, \$4,151,324.65 was due to the Developer for the Acquisition Facilities in accordance with the Development Agreement, it being understood and agreed that said amounts may be adjusted to account for additional accrued interest and other changes in amounts to be reimbursed; and

WHEREAS, the Developer has complied with all of the requirements of the Development Agreement and the Interlocal Agreement; and

WHEREAS, in exchange for the City’s lump sum payment to the Developer to acquire the Acquisition Facilities, the Developer has agreed in the Interlocal Agreement to assign its right to a portion of the future payments of all or part of the Zone’s Net Tax Increment that the Developer would have been entitled to pursuant to the Development Agreement; and

WHEREAS, the City has issued the Certificates and has paid the Developer \$4,151,324.65 from the proceeds of the Certificates in order to acquire the Acquisition Facilities; and

WHEREAS, the costs of issuance of the Certificates allocable to the Developer total \$40,747.17, which includes a pro rata share of the total costs of issuance plus \$10,000.00 for the City’s legal fees associated with drafting the Interlocal Agreement; and

WHEREAS, in accordance with the above and the Interlocal Agreement, the total amount of the Net Tax Increment assigned by the Developer to the City pursuant to the Interlocal Agreement is \$5,454,413.33, which represents the amount reimbursed to the Developer plus the Developer's allocable costs of issuance and the City's legal fees associated with drafting the Interlocal Agreement plus interest allocable to such amounts; and

WHEREAS, in accordance with the above and the Interlocal Agreement, the Zone shall make annual payments from the Net Tax Increment to the City in the amounts and at the times described in **Exhibit B** attached hereto.

NOW, THEREFORE, the Parties agree and acknowledge as follows:

1. The facts set forth in the recitals hereof are true and correct and made a part hereof.

2. The Developer hereby (i) acknowledges the receipt of the reimbursement amount of \$4,151,324.65, as payment for funds, including interest, advanced to or on behalf of the Zone for the Acquisition Facilities; (ii) releases all liens and claims on the Acquisition Facilities to the extent of such amount; and (iii) conveys to the City and the Zone all of its rights, title, and interest in the Acquisition Facilities.

3. The Parties hereby acknowledge that: (i) the total amount of the Net Tax Increment assigned by the Developer to the City pursuant to the Interlocal Agreement is \$5,454,413.33, and (ii) in accordance with the above and the Interlocal Agreement, the Zone shall make annual payments from the Net Tax Increment to the City in the amounts and at the times described in **Exhibit B** attached hereto.

4. The Developer represents and warrants that it is the proper party to whom the payment for the matters reimbursed herein should be paid, and that there are no other parties that could claim a right to payment of the reimbursement. **IN CONSIDERATION OF THE PAYMENT OF \$10.00 TO THE DEVELOPER BY THE ZONE AND OTHER GOOD AND VALUABLE CONSIDERATION, THE RECEIPT AND SUFFICIENCY OF WHICH ARE HEREBY ACKNOWLEDGED AND IN LIGHT OF THE DEVELOPER'S WARRANTY THAT IT IS THE PROPER PARTY TO RECEIVE THE REIMBURSEMENT PAYMENT DESCRIBED HEREIN, DEVELOPER HEREBY AGREES TO PROTECT, INDEMNIFY, DEFEND, AND HOLD THE CITY AND THE ZONE HARMLESS FROM ANY AND ALL CLAIMS, ACTIONS, OR LAWSUITS ASSERTED BY ANY PARTY, OR ANY SUCH PARTY'S SUCCESSOR IN INTEREST OR ASSIGNEE, REGARDING THE REIMBURSEMENT TO THE DEVELOPER DESCRIBED HEREIN. THIS INDEMNITY AND HOLD HARMLESS AGREEMENT RUNNING IN FAVOR OF THE ZONE AND THE CITY SPECIFICALLY INTENDED TO COVER ALL COSTS TO THE ZONE AND THE CITY OF ANY FUTURE LITIGATION INCLUDING ATTORNEYS' FEES AND EXPENSES, OTHER DEFENSE COSTS, AND THE COSTS OF ENFORCING THE INDEMNITY.**

5. This Receipt and Acknowledgment is intended only to: (a) evidence the Developer's receipt of the amounts referenced herein, and (b) acknowledge (i) the assignment of

the Developer of the Net Tax Increment in accordance with the terms of the Interlocal Agreement, and (ii) the Zone's annual payments from the Net Tax Increment to the City in accordance with such assignment. This Receipt and Acknowledgment shall not be interpreted as amending or superseding the Interlocal Agreement or the Development Agreement.

[Signature page follows]

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: _____
John Baumgartner, City Manager

Attest:

By: _____
Diana Stapp, City Secretary

Approved as to Form:

By: _____
Nghiem V. Doan, City Attorney

**REINVESTMENT ZONE NUMBER FOUR,
CITY OF LEAGUE CITY, TEXAS**

By: _____
Name: Javier Morales
Title: Chairman

WESTWOOD DEVELOPMENT, LTD.

By: _____
Name:
Title:

Exhibit A

The Report

**LEAGUE CITY TAX INCREMENT
REINVESTMENT ZONE NO. 4**

REPORT ON APPLYING AGREED-UPON PROCEDURES TO
CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

APRIL 19, 2017

MCCALL GIBSON SWEDLUND BARFOOT PLLC
Certified Public Accountants

**LEAGUE CITY TAX INCREMENT
REINVESTMENT ZONE NO. 4**

REPORT ON APPLYING AGREED-UPON PROCEDURES TO
CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

APRIL 19, 2017

T A B L E O F C O N T E N T S

SCHEDULE

INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING
AGREED-UPON PROCEDURES

SCHEDULE OF CONSTRUCTION, ENGINEERING AND
RELATED COSTS REIMBURSABLE TO
WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)

A

SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH EXHIBIT B OF DEVELOPMENT AGREEMENT

B

McCALL GIBSON SWEDLUND BARFOOT PLLC

Certified Public Accountants

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April 19, 2017

Board of Directors
Tax Increment Reinvestment Zone No. 4
City of League City, Texas

Independent Accountant's Report on Applying Agreed-Upon Procedures

We have performed the procedures enumerated below, which were agreed to by the Board of Directors of the Tax Increment Reinvestment Zone No. 4, City of League City, Texas (the "Zone"), solely to assist you with respect to the reimbursable costs and interest calculation to be paid by the Zone to Westwood Development, Ltd. ("Developer") as of April 19, 2017. The below listed procedures were performed solely to assist you in determining the amount to be reimbursed to the Developer as documented in the Zone Development Agreement.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the Board of Directors of the Zone. Consequently, we make no representation regarding the sufficiency of the procedures either for the purpose for which this report has been requested or for any other purpose. The procedures performed are summarized as follows:

- A. We reviewed certain schedules and supporting invoices submitted by the Developer in substantiation of the costs to be reimbursed. Our review included all documentation supporting items, amounts, and proof of payment for which reimbursement is requested. In addition, we reviewed all agreements provided to us relative to the reimbursement request. The agreements reviewed are listed in our report.
- B. We footed the extensions of any engineering invoices pertaining to the reimbursement on a test basis and compared the contract amounts used in determining the fee for the design and construction phase portions of the invoice to the related construction contracts and to the engineering contract when appropriate.
- C. For construction pay estimates, we footed and tested extensions on a test basis on payments made on behalf of the Zone.

- D. We reviewed the computation of certain costs looking for any amounts required to be paid 100% by the Developer in accordance with the Development Agreement. Any costs required to be paid by the Developer were deducted and noted in the report.
- E. We obtained verbal confirmation from Harris Construction Co Ltd that the Westwood, Section 3 and Maple Leaf Drive and League City Parkway – Paving and Drainage project has been paid in full. The Westwood, Section 7 and Maple Leaf Drive – Paving and Drainage project is not complete, \$399,087.59 has been paid to date and \$28,755.62 is currently outstanding. We were unable to obtain verbal confirmation from Beyer Construction.
- F. We prepared a reimbursement report for the benefit of the Zone, including the accountant's report and schedule of amounts reimbursable to the Developer, and have compared the amounts on Exhibit B in the Development Agreement with the actual reimbursable costs and estimated costs to complete the projects.
- G. We attended a meeting to present the report and were available to answer questions relating to the report.

The attached Schedule A, titled "Schedule of Construction, Engineering and Related Costs Reimbursable to Westwood Development, Ltd. (Developer)", sets forth their reimbursable costs to be paid as of April 19, 2017. This reimbursement is in accordance with the terms and conditions of the Development Agreement by and between Reinvestment Zone No. 4, City of League City, Texas, and Westwood Development, Ltd. dated April 25, 2006.

The Developer provided schedules for reimbursable costs in the amount of \$3,079,890.10, not including interest. We have revised the reimbursable amount to \$4,151,324.65, including interest of \$91,378.00 calculated through April 19, 2017. The changes to the original Developer schedules are as follows:

- 1) We deducted \$23,162.67 for change orders that were already included in the regular pay estimates for the construction of water, drainage and paving improvements of Maple Leaf Drive.
- 2) We deducted \$140.54 for sales tax that is not reimbursable for engineering fees related to the construction of paving and drainage serving Westwood, Section 7 Maple Leaf Drive.
- 3) We added \$1,003,359.76 for land acquisition costs that were not included in the Developer's original schedule.
- 4) We calculated interest in accordance with the agreement using the City Bond Rate for general obligation bonds, compounded annually through April 19, 2017, resulting in an increase of \$91,378.00.

The attached Schedule B is a comparison of the engineering estimate with actual costs reimbursable by project.

We were not engaged to and did not conduct an audit, the objective of which would be the expression of an opinion on the aforementioned costs. Accordingly, we do not express an opinion on the costs to be reimbursed as of April 19, 2017. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Board of Directors and is not intended to be and should not be used by anyone other than this specified party. However, this report is a matter of public record and its distribution is not limited. This report should not be associated with the presentation of any financial data of the Zone except to comply with filing requirements as required by the respective agreements. We appreciate this opportunity to be of service to you.

McCall Gibson Swedlund Barfoot PLLC

McCall Gibson Swedlund Barfoot PLLC
Certified Public Accountants
Houston, Texas

AUP Report Zone 4 – April 19, 2017

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

| DESCRIPTION | REIMBURSABLE COST |
|--|----------------------|
| Beyer Construction | |
| Construction - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive | |
| Amount Paid by Developer | \$ 647,884.05 |
| R.W. Patrick & Associates, Inc. | |
| Engineering - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive | |
| Amount Paid by Developer | 33,778.08 |
| A & R Engineering & Testing, Inc. | |
| Materials Testing - Water, Drainage and Paving Improvements Westwood Maple Leaf Drive | |
| Amount Paid by Developer | 18,920.25 |
| City of League City, Texas | |
| Electrical - Traffic Lights Westwood Maple Leaf Drive | |
| Amount Paid by Developer | 83,853.88 |
| Harris Construction Co Ltd | |
| Construction - Paving and Drainage Westwood, Section 3, Maple Leaf Drive and League City Parkway | |
| Amount Paid by Developer | 1,698,654.73 |
| Civil Concepts, Inc. | |
| Engineering - Paving and Drainage Westwood, Section 3, Maple Leaf Drive and League City Parkway | |
| Amount Paid by Developer | 99,586.28 |

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

| DESCRIPTION | REIMBURSABLE COST |
|--|----------------------|
| Texas New Mexico Power | |
| Electrical - Pole Relocation Westwood, Section 3, Maple Leaf Drive and League City Parkway | |
| Amount Paid by Developer | \$ 84,786.08 |
| Harris Construction Co Ltd | |
| Construction - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive | |
| Amount Paid by Developer | 349,087.59 |
| Civil Concepts, Inc. | |
| Engineering - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive | |
| Amount Paid by Developer | \$ 39,025.40 |
| Less: Sales Tax | 140.54 |
| | 38,884.86 |
| A & R Engineering & Testing, Inc. | |
| Materials Testing - Paving and Drainage Westwood, Section 7 & Maple Leaf Drive | |
| Amount Paid by Developer | 1,151.09 |
| TOTAL AMOUNT REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017 | \$ 3,056,586.89 |
| TOTAL INTEREST DUE | * 91,378.00 |
| TOTAL AMOUNT PAYABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017 | \$ 3,147,964.89 |

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE OF CONSTRUCTION, ENGINEERING AND RELATED COSTS
REIMBURSABLE TO WESTWOOD DEVELOPMENT, LTD. (DEVELOPER)
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

| DESCRIPTION | REIMBURSABLE COST |
|--|------------------------|
| Add: Land Acquisition | |
| Section 1 Detention Reserve A - 4.56 Acres @ \$43,548.79 per Acre | \$ 198,582.48 |
| Section 1 Detention Reserve B - 7.45 Acres @ \$43,548.79 per Acre | 324,438.48 |
| Section 3 Restricted Reserve G - 6.496 Acres @ \$43,548.79 per Acre | 282,892.94 |
| Section 4 Restricted Reserve A - 4.5339 Acres @ \$43,548.79 per Acre | 197,445.86 |
| TOTAL AMOUNT PAYABLE TO WESTWOOD DEVELOPMENT, LTD. AS OF APRIL 19, 2017 | <u>\$ 4,151,324.65</u> |

* Interest is calculated based upon the City Bond Rate, compounded annually
in accordance with the Development Agreement

TAX INCREMENT REINVESTMENT ZONE NO. 4
SCHEDULE COMPARING ACTUAL REIMBURSABLE COSTS
WITH EXHIBIT B OF DEVELOPMENT AGREEMENT
APRIL 19, 2017

(SEE ACCOMPANYING DISCLAIMER OF OPINION AND
EXPLANATION OF AGREED-UPON PROCEDURES PERFORMED)

| DESCRIPTION | ORIGINAL ENGINEERING ESTIMATE EXHIBIT B | REIMBURSABLE COSTS DUE TO WESTWOOD DEVELOPMENT LTD. SEPTEMBER 27, 2013 | REIMBURSABLE COSTS DUE TO WESTWOOD DEVELOPMENT LTD. APRIL 19, 2017 |
|--|--|--|--|
| TIRZ IMPROVEMENTS | | | |
| Major Thoroughfares: | | | |
| Brittany Bay Blvd. (League City Pkwy.) | \$ 3,659,341 | \$ - | \$ 1,939,321 |
| Maple Leaf Drive | 1,606,790 | 979,606 | 1,195,434 |
| Detention (Excavation and Structures) | 796,380 | 628,041 | 13,210 |
| Detention (Land) | 430,000 | 51,939 | 1,003,360 |
| TIRZ Administration | 60,000 | 35,070 | |
| Payments Made To Developer Thru June 3, 2016 | | (1,191,386) | |
| TOTAL | \$ 6,552,511 | \$ 503,270 | \$ 4,151,325 |

| ESTIMATED ADDITIONAL COST TO COMPLETE | TOTAL ACTUAL COSTS TO DATE AND ESTIMATED ADDITIONAL COST TO COMPLETE | ACTUAL OVER (UNDER) ESTIMATE | % VARIANCE OVER (UNDER) ESTIMATE |
|---|--|---------------------------------------|--|
| \$ 1,720,020 | \$ 3,659,341 | \$ - | 0.00% |
| 389,722 | 2,564,762 | 957,972 | 59.62% |
| 155,129 | 796,380 | - | 0.00% |
| | 1,055,299 | 625,299 | 145.42% |
| <u>24,930</u> | <u>60,000</u> | <u>-</u> | 0.00% |
| | | | |
| <u>\$ 2,289,801</u> | <u>\$ 8,135,782</u> | <u>\$ 1,583,271</u> | |

Exhibit B

Schedule of Zone's Payments to City

BOND DEBT SERVICE
League City, Texas
2017 CO - TIRZ
LEVEL DEBT SERVICE STRUCTURE

| Period Ending | Principal | Interest | Debt Service | Annual Debt Service |
|------------------|-----------|--------------|--------------|------------------------|
| 02/15/2018 | 195,000 | 99,213.33 | 294,213.33 | |
| 08/15/2018 | | 76,800.00 | 76,800.00 | |
| 09/30/2018 | | | | 371,013.33 |
| 02/15/2019 | 215,000 | 76,800.00 | 291,800.00 | |
| 08/15/2019 | | 73,575.00 | 73,575.00 | |
| 09/30/2019 | | | | 365,375.00 |
| 02/15/2020 | 220,000 | 73,575.00 | 293,575.00 | |
| 08/15/2020 | | 70,275.00 | 70,275.00 | |
| 09/30/2020 | | | | 363,850.00 |
| 02/15/2021 | 225,000 | 70,275.00 | 295,275.00 | |
| 08/15/2021 | | 66,900.00 | 66,900.00 | |
| 09/30/2021 | | | | 362,175.00 |
| 02/15/2022 | 235,000 | 66,900.00 | 301,900.00 | |
| 08/15/2022 | | 63,375.00 | 63,375.00 | |
| 09/30/2022 | | | | 365,275.00 |
| 02/15/2023 | 240,000 | 63,375.00 | 303,375.00 | |
| 08/15/2023 | | 57,375.00 | 57,375.00 | |
| 09/30/2023 | | | | 360,750.00 |
| 02/15/2024 | 255,000 | 57,375.00 | 312,375.00 | |
| 08/15/2024 | | 51,000.00 | 51,000.00 | |
| 09/30/2024 | | | | 363,375.00 |
| 02/15/2025 | 270,000 | 51,000.00 | 321,000.00 | |
| 08/15/2025 | | 44,250.00 | 44,250.00 | |
| 09/30/2025 | | | | 365,250.00 |
| 02/15/2026 | 280,000 | 44,250.00 | 324,250.00 | |
| 08/15/2026 | | 37,250.00 | 37,250.00 | |
| 09/30/2026 | | | | 361,500.00 |
| 02/15/2027 | 295,000 | 37,250.00 | 332,250.00 | |
| 08/15/2027 | | 29,875.00 | 29,875.00 | |
| 09/30/2027 | | | | 362,125.00 |
| 02/15/2028 | 310,000 | 29,875.00 | 339,875.00 | |
| 08/15/2028 | | 23,675.00 | 23,675.00 | |
| 09/30/2028 | | | | 363,550.00 |
| 02/15/2029 | 320,000 | 23,675.00 | 343,675.00 | |
| 08/15/2029 | | 17,275.00 | 17,275.00 | |
| 09/30/2029 | | | | 360,950.00 |
| 02/15/2030 | 335,000 | 17,275.00 | 352,275.00 | |
| 08/15/2030 | | 10,575.00 | 10,575.00 | |
| 09/30/2030 | | | | 362,850.00 |
| 02/15/2031 | 345,000 | 10,575.00 | 355,575.00 | |
| 08/15/2031 | | 5,400.00 | 5,400.00 | |
| 09/30/2031 | | | | 360,975.00 |
| 02/15/2032 | 360,000 | 5,400.00 | 365,400.00 | |
| 09/30/2032 | | | | 365,400.00 |
| | 4,100,000 | 1,354,413.33 | 5,454,413.33 | 5,454,413.33 |