

**DEVELOPMENT FINANCING AGREEMENT BY AND BETWEEN
REINVESTMENT ZONE NUMBER ONE,
CITY OF BAY CITY, AND SAL Holdings, LLC**

This DEVELOPMENT FINANCING AGREEMENT ("Agreement") is entered into by and between the REINVESTMENT ZONE NUMBER ONE, CITY OF BAY CITY, TEXAS (the "Zone"), an administrative body appointed in accordance with Chapter 311 of the Texas Tax Code (the "TIRZ Act") to oversee the administration of Tax Increment Reinvestment Zone Number One, City of Bay City, Texas, a reinvestment zone designated by ordinance of the City in accordance with the Tax Increment Financing Act, and SAL Holdings, LLC ("Developer"), a Texas limited liability company.

The Zone and Developer hereby agree that the following statements are true and correct and constitute the basis upon which the Zone and Developer have entered into this Agreement:

WHEREAS, the City created the Zone pursuant to the TIRZ Act; and

WHEREAS, the Board of Directors of the Zone (the "Zone Board" or "Board") and the City each approved and adopted the Reinvestment Zone Project Plan and Financing Plan for Reinvestment Zone Number One, City of Bay City, dated November 19, 2015, (TIRZ Plan), and amended on January 26, 2017; and

WHEREAS, the Developer has or will construct certain improvements described on Exhibit "B", to implement the TIRZ Plan, and the Zone will reimburse the Developer all or a portion of Developer's cost for the public works and public improvements in accordance with this Agreement (described in more detail below in Section 3(a) as Project Costs); and

WHEREAS, pursuant to the TIRZ Plan, certain tax revenues based upon the incremental increase over the base year ("Tax Increment") will flow into a fund to be administered by the Zone, known as the Tax Increment Fund (TIF); also, the Zone may receive other gifts, grants or other revenue to be accounted for separately from the TIF but used only for duly approved authorized purposes of the Zone;

WHEREAS, the Zone and City recognize the importance of its continued role in local economic development, including incentives under Chapter 380, Texas Local Government Code;

WHEREAS, Developer owns or controls certain property located within the Zone and has requested reimbursement for Developer's cost of constructing certain public improvements pursuant to the TIRZ Plan;

WHEREAS, Developer warrants to the Zone that all of the information contained in the Developer's Application is true and correct in all material respects; and,

NOW THEREFORE, in consideration of the mutual covenants and obligations herein and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

1. Section: Site

Developer owns the real property (the "Property"), which is within the city limits of Bay City and the boundaries of the Zone. The Property is specifically described in as shown in attached Exhibit "A."

2. Section: Project & Financing

Developer has constructed, or is in the process of constructing, private and public improvements including, but not limited to, the Project described in attached Exhibit "B" (the "Project").

Developer understands and agrees that the cost of the Project, to the extent that the improvements associated with the Project are not public improvements ("Private Improvements") shall be funded by and through Developer's own capital or other financing means arranged and obtained by Developer. Further. The TIF payments to be made to Developer pursuant to this Agreement are not intended to reimburse Developer for all of its costs incurred in connection with performing its obligations under this Agreement.

The Developer agrees to deliver to the Zone written notice of the date on which construction of the Project commences. This notice will be delivered within 30 days after the date of commencement. The Developer agrees to complete the construction of the Project within the schedule described on Exhibit "E" attached hereto. The date of completion is the date on which the Project is substantially completed (satisfying City, County and other applicable laws) and all public improvements have been accepted by the applicable governmental entity, and, if required (as, for example, in the case of a roadway) the land has been dedicated for public use or title otherwise transferred to the applicable governmental entity (in accordance with their requirements). Upon completion, the Developer will deliver a written notice to the Zone, signed by Developer and the City of Bay City, stating that the Project has been completed in accordance with these requirements.

The Developer agrees to maintain liability insurance coverage reasonably required by the Zone, until the Project has been completed. The insurance company, the types of insurance and the amounts of coverage will be commercially reasonable in light of the Project. The Developer will provide proof of coverage prior to commencement of construction, in a form reasonably acceptable to the Zone. Current insurance requirements are attached to this Agreement as Exhibit "F."

3. Section: TIF Participation: Partial Reimbursement of Tax Increment

The payments and distributions under this Agreement are subject to obligations under all prior agreements listed on Exhibit "D". Subject to these and all other limitations and conditions precedent contained in this Agreement and the attached exhibits, the Parties agree that Tax Increment generated within the Zone shall be applied as follows:

- (a) Public Improvements: To the Developer to reimburse Developer for the actual expenses related to public improvements (described on Exhibit "C") that are part of the Project (described on Exhibit "B"), to the extent that the expenses are allowable under Chapter 311 of the Texas Tax Code Section 311.002. This

reimbursement will not exceed the projected Project Costs listed on attached Exhibit "C." These allowable costs are called "Project Costs."

(b) Any remaining TIF Funds, after Developer has been fully reimbursed (the "Available Funds"), will be available for commitment to future projects.

Unless explicitly provided differently in an Exhibit attached hereto, all grants, loans, reimbursements and any other financial payment to Developer under this Agreement shall be made in annual installments in June of each year (commencing in the first year following project completion), provided all current taxes have been paid on the Property and any other prerequisites stated in this Agreement have been satisfied.

During each fiscal year for the term of this Agreement, payment of the annual installment to Developer shall have priority for reimbursement over all other Zone expenditures subject only to preexisting debts or obligations of the Zone, and (ii) any pre-existing annual expenditures required to be made pursuant to other Developer Agreements prior in time to this Agreement, listed on Exhibit "D".

Zone also reserves the right, when payments come into the Tax Increment Fund, to prepay all or any portion of the total amount to be reimbursed under this Agreement at any given time. If City in its sole discretion issues Tax Increment Funds Bonds to pay for previous and future projects, Zone may fully reimburse Developer from bond proceeds received, the existing unpaid balance under this Agreement, and under any other outstanding developer agreements within the Zone.

4. Section: Reimbursement Limited to TIF Fund

Developer understands and agrees that any and all payments, obligations, grants, loans, reimbursements and any other form of financial obligation imposed on the Zone by this Agreement ("Reimbursement") shall be made solely from then-currently available revenues in the TIF Fund and subject to pre-existing commitments and all other terms of this Agreement and applicable laws. In the event that there is not sufficient revenue in the TIF Fund to timely pay Developer any part of the Reimbursement, the Zone will pay Developer such portion of the Reimbursement that may be available at the time. The balance of any due but unpaid Reimbursement shall be carried forward without interest and paid by the Zone in the first year in which there is sufficient revenue in the TIF to pay such balance. Developer agrees that it will not look to other funds of the Zone, bonds or funds of the City, or any property of the Zone or City for all or any portion of the Reimbursement. Upon termination of the Zone on December 31, 2046, or such other date as may be specified in a subsequent ordinance adopted in accordance with Section 311.017 of the Act, any portion of the Reimbursement that has not been paid due to the unavailability of revenue in the TIF Fund or due to Developer's failure to meet any precondition under this Agreement for receipt of the Reimbursement shall no longer be considered Project Costs of the Zone, and any obligation of the Zone to pay Developer any remaining balance of the Reimbursement shall automatically expire.

5. Section: Term

The Effective Date of this Agreement is the last date approved by all of the Parties. The

term of this Agreement shall begin upon the Effective Date and end upon the earlier of:

- (a) the complete performance of all obligations and conditions precedent by Parties to this Agreement;
- (b) expiration of thirty years after Effective Date; or
- (c) the expiration of the term of the Zone.

6. Section: Exhibits

The Parties agree that each and every exhibit that is mentioned in and attached to this Agreement is a material part of this Agreement and each such exhibit is by this reference, incorporated into this agreement for all purposes as thought set forth verbatim here.

7. Section: Force Majeure

It is expressly understood and agreed by the Parties that if the performance of any obligation hereunder is delayed by reason of war, civil commotion, acts of God, inclement weather, governmental restrictions, regulations, or interferences, delays caused by the franchise utilities, fire or other casualty, court injunction, necessary condemnation proceedings, acts of the other party, its affiliates/related entities and/or their contractors, or any actions or inactions of third parties or other circumstances which are reasonably beyond the control of the party obligated or permitted under the terms of this Agreement to do or perform the same, regardless of whether any such circumstance is similar to any of those enumerated or not, the party so obligated or permitted shall be excused from doing or performing the same during such period of delay, so that the time period applicable to such design or construction requirement shall be extended for a period of time equal to the period such party was delayed.

8. Section: Indemnity

DEVELOPER AGREES TO DEFEND, INDEMNIFY AND HOLD THE ZONE, THE BOARD, THE CITY AND THEIR RESPECTIVE OFFICIALS, OFFICERS, AGENTS AND EMPLOYEES, ASSIGNS AND SUCCESSORS, HARMLESS AGAINST ANY AND ALL CLAIMS, DEMANDS, LAWSUITS, JUDGMENTS, COSTS AND EXPENSES, INTEREST, AND ATTORNEY FEES FOR PERSONAL INJURY (INCLUDING DEATH), PROPERTY DAMAGE (INCLUDING LOSS) OR OTHER HARM FOR WHICH RECOVERY OF DAMAGES IS SOUGHT THAT MAY ARISE OUT OF OR BE OCCASIONED BY DEVELOPER'S BREACH OF ANY OF THE TERMS OR PROVISIONS OF THIS AGREEMENT, OR BY ANY NEGLIGENT ACT OR OMISSION OF DEVELOPER, ITS OFFICERS, AGENTS, ASSOCIATES, EMPLOYEES, CONTRACTORS OR SUBCONTRACTORS IN THE PERFORMANCE OF THIS AGREEMENT; EXCEPT THAT THE INDEMNITY PROVIDED FOR IN THIS PARAGRAPH SHALL NOT APPLY TO ANY LIABILITY RESULTING FROM THE SOLE NEGLIGENCE OF THE ZONE, BOARD OR CITY OR THEIR RESPECTIVE OFFICIALS, OFFICERS, AGENTS, EMPLOYEES OR CONTRACTORS, AND IN THE EVENT OF JOINT AND CONCURRENT NEGLIGENCE OF BOTH DEVELOPER AND ZONE, RESPONSIBILITY, IF ANY, SHALL BE APPORTIONED COMPARATIVELY IN ACCORDANCE WITH THE LAWS OF THE STATE OF TEXAS. HOWEVER, NOTHING IN THIS SECTION WAIVES ANY IMMUNITY OR OTHER

DEFENSE AVAILABLE TO THE ZONE, BOARD, OR CITY UNDER TEXAS OR FEDERAL LAW. THIS INDEMNITY WILL SURVIVE THE TERMINATION OF MS AGREEMENT.

9. Section: Events of Default & Remedies

A default shall exist if either party fails to perform or observe any material covenant contained in this Agreement, including exhibits, which is not otherwise excused under the terms of this Agreement. The non-defaulting party shall immediately notify the defaulting party in writing upon becoming aware of any change in the existence of any condition or event that would constitute a default or, with the giving of notice or passage of time, or both, would constitute a default under this Agreement. Such notice shall specify the nature and the period of existence thereof and what action, if any, the non-defaulting party requires or proposes to require with respect to curing the default.

If a default shall occur and continue, after thirty (30) days' notice to cure default, the non-defaulting party may, at its option, pursue any and all remedies it may be entitled to, at law or in equity, in accordance with Texas law, without the necessity of further notice to or demand upon the defaulting party. Neither party, however, shall pursue remedies against the other as long as (i) the defaulting party has commenced to cure such default within the 30 days following notice, and the defaulting party proceeds in good faith and with due diligence to remedy and correct the default.

10. Section: Venue and Governing Law

This Agreement is performable in Matagorda County, Texas and venue of any action arising out of this Agreement shall be exclusively in the State Courts of Matagorda County. This Agreement shall be governed and construed in accordance with the Charter, ordinances, and resolutions of the City of Bay City, applicable federal and state laws, the violation of which shall constitute a default of this Agreement. To the extent permitted by law, the law of the state of Texas shall apply without regard to applicable principles of conflicts of law, and the Parties submit to the jurisdiction of state district courts in Matagorda County, Texas.

11. Section: Notices

Any notice required by this Agreement shall be deemed to be properly served if deposited in the U.S. mail by certified letter, return receipt requested, addressed to the recipient at the recipient's address shown below, subject to the right of either party to designate a different address by notice given in the manner just described.

If intended for Zone, to: Board Chairman Tax Increment Reinvestment Zone No. 1 to:

City of Bay City
1901 5th Street
Bay City, Texas 77414

With a copy to:
Scotty Jones, City Treasurer City of Bay City
1901 5th St.
Bay City, Texas 77414

With a copy to:
Anne Marie Odefey, City Attorney
Roberts, Odefey, Witte & Wall, LLP
P.O. Box 9
2206 Hwy 35 N
Port Lavaca, Texas 77979

If intended for Developer, to:

Stuart A. Lynn, Member
SAL Holdings, LLC
1221 Avenue F
Bay City, TX 77414

12. Section: No Third Party Rights

This Agreement is solely for the benefit of the Parties hereto and is not intended to create or grant any rights, contractual or otherwise, to any other person or entity.

13. Section: Severability

In case any one or more of the provisions of this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect by a court or agency of competent jurisdiction, such invalidity, illegality, or unenforceability shall not affect any other remaining provisions hereof and this Agreement shall remain in full force and effect and be construed as if such invalid, illegal, or unenforceable provision had never been contained in this Agreement.

14. Section: Counterparts & Signatures

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument. This agreement may be executed in multiple originals. This agreement may be executed by facsimile signatures which shall be deemed originals and equally admissible as originals.

15. Section: Captions

The captions to the various clauses of this Agreement are for informational purposes only and shall not alter the substance of the terms and conditions of this Agreement.

16. Section: Successors and Assigns

The terms and conditions of this Agreement are binding upon the successors and assigns of all parties hereto. Provided, however, Developer shall not assign this Agreement without prior Zone approval, which approval shall not be unreasonably withheld. Notwithstanding the foregoing, written approval of the Zone shall not be required for an assignment to an Affiliate of Developer, collateral assignments of the reimbursements to other developers or lenders. "Affiliate of Developer" as used herein, includes any parent, sister, partner, joint venturer, or subsidiary entity of Developer; any entity in which Developer is a major shareholder, owns an equity interest, or is a joint venturer or partner (whether general or limited), or to the Developer's financial institution.

17. Section: Limited Rights and Non-waiver

This agreement is intended only to establish the rights and obligations as between the Parties hereto and it creates no right, expectation, benefit or obligation for or toward any other person or entity. Nothing stated or omitted from this Agreement shall be construed as a waiver of any defense, affirmative defense, or immunity available to the Zone or the City and their respective officials, directors, members, employees, agents, assigns, successors.

18. Section: Entire Agreement

This Agreement, including any exhibits attached hereto and any documents incorporated herein by reference, contains the entire understanding and agreement between the Zone, and Developer, their assigns and successors in interest, as to the matters contained herein. Any prior or contemporaneous oral or written agreement is hereby declared null and void to the extent in conflict with any provision of this Agreement. This Agreement shall not be amended unless executed in writing by both Parties and approved by the governing bodies in an open meeting held in accordance with Chapter 551 of the Texas Government Code.

IN WITNESS WHEREOF, the undersigned have caused this Agreement to be executed in multiple counterparts, each of equal dignity and effect, on behalf of the City, the Zone, and Developer effective as of the Effective Date.

(signatures follow on next page)

Exhibit "E"

Project Completion Schedule

Phase I

Start February 2017

Complete June 2017

Phase II

Subject to reimbursement of Phase I

**To begin on or before September 20, 2019 and to be
completed no later than 18 months thereafter.**

Exhibit "F"

Insurance Requirements

Insurance standards are on file with the City and are acceptable.

Exhibit "D"

List of Prior Agreements

1. DEVELOPMENT FINANCING AGREEMENT BY AND BETWEEN REINVESTMENT ZONE NUMBER ONE, CITY OF BAY CITY, AND THE CITY OF BAY CITY dated August 22, 2017.
2. DEVELOPMENT FINANCING AGREEMENT BY AND BETWEEN REINVESTMENT ZONE NUMBER ONE, CITY OF BAY CITY, AND BAY CITY COMMUNITY DEVELOPMENT CORPORATION dated _August 22, 2017.

Exhibit "C"

List/Description of Reimbursable Public Improvements

Cottonwood Park Development

Phase I Estimated costs	\$ 100,000.00
Camille Street Improvements	
Actual costs:	
1) Survey	\$ 1,742.94
2) Engineering	\$ 7,500.00
3) Asphalt removal	\$ 6,070.00
4) 520' of 6" water lines 320' of 6" sewer lines	\$ 37,639.00
5) 300' of electrical lines	\$ 10,300.00
6) 6,000 sqft (300' X 20') concrete street	\$ 28,576.78
7) Site grading & tree removal	\$ 5,282.50
Total actual costs	\$ 97,111.22
Phase II Estimated costs	\$ 100,000.00
Public Green Space and Park Area	
Pedestrian Bridge over Cottonwood Creek	\$ 25,000.00
Playground / Water Play Feature	\$ 40,000.00
Creekside Path	\$ 10,000.00
Sidewalks	\$ 25,000.00
	\$ 100,000.00

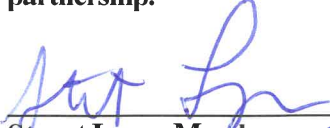

As provided in Section 2 of this Agreement and applicable law (including Texas Tax Code §311) reimbursements are limited to public improvements and will not exceed the amounts stated in this budget.

Exhibit "B"

The Project consists of developing Cottonwood Park a residential and mixed-use development in substantial conformity to the standards of form-based Codes along with a family friendly green space, plaza development, creek enhancements, and core infrastructure improvements.

Camille Drive was installed along with 320 linear feet of 6" PVC sanitary sewer line and 520 linear feet of 6" PVC water line.

Recommended for approval by Reinvestment Zone Number One, City of Bay City, Texas at its meeting on the 17th day of July, 2019.

SAL Holdings, LLC, a Texas limited partnership.  Stuart Lynn, Member <i>7/17/19</i>	REINVESTMENT ZONE NUMBER ONE CITY OF BAY CITY, TEXAS  William Bell, Chairman <i>7/17/19</i>
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PASSED AND APPROVED this 12th day of September, 2019.

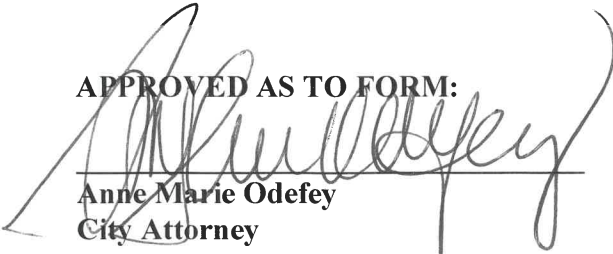
City of Bay City, Texas


Robert K. Nelson, Mayor

ATTEST:


David Holubec, City Secretary

APPROVED AS TO FORM:


Anne Marie Odefey
City Attorney

Exhibits:

- "A" — the Property
- "B" — the Project
- "C" — List/Description of Reimbursable Public Improvements
- "D" — List of Prior Agreements
- "E" — Project Completion
- Schedule "F" — Insurance Requirements