



**WHEREAS**, subject to the terms and conditions of this Agreement, the District is willing to allow the City to annex commercial use areas of the Development for the sole and exclusive purpose of imposing and collecting sales and use taxes within such areas; and

**WHEREAS**, to facilitate the limited purpose annexation by the City of the commercial use areas of the Development, the Owner submitted to the City a petition requesting and consenting to the limited purpose annexation of the portion of the Development depicted on Exhibit C and described on Exhibit D attached to this Agreement (the “Original Limited Purpose Property”); and

**WHEREAS**, pursuant to the Act and the Owner’s petition for limited purpose annexation, the Parties desire to enter into this Agreement to accomplish the annexation by the City of the Original Limited Purpose Property for the sole and exclusive purpose of imposing and collecting sales and use taxes within the commercial use areas of the Original Limited Purpose Property; and

**WHEREAS**, the District provided notice of two public hearings in accordance with all applicable laws; and

**WHEREAS**, the board of directors of the District (the “Board”) conducted two public hearings in accordance with all applicable laws at which members of the public who wished to present testimony or evidence regarding this Agreement were given the opportunity to do so; and

**WHEREAS**, the Board approved and adopted this Agreement on \_\_\_\_\_, 200\_\_, in open session at a meeting held in accordance with all applicable laws; and

**WHEREAS**, the City provided notice of two public hearings in accordance with all applicable laws; and

**WHEREAS**, the City Council of the City (the “City Council”) conducted two public hearings in accordance with all applicable laws at which members of the public who wished to present testimony or evidence were given the opportunity to do so; and

**WHEREAS**, the City Council approved and adopted this Agreement on \_\_\_\_\_, 200\_\_, in open session in accordance with all applicable laws, which approval and adoption occurred after the Board approved and adopted this Agreement; and

**WHEREAS**, all notices, hearings and other procedural requirements imposed by law for the adoption of this Agreement have been met; and

**WHEREAS**, in accordance with the requirements of Subsection (p)(1) of the Act, this Agreement does not require the District to provide revenue to the City solely for the purpose of obtaining an agreement with the City to forego annexation of the District; and

**WHEREAS**, in accordance with the requirements of Subsection (p)(2) of the Act, this Agreement provides benefits for the City and the District that are reasonable and equitable.

**NOW THEREFORE**, for and in consideration of the mutual agreements contained in this Agreement, and for the good and valuable consideration the receipt and adequacy of which are hereby acknowledged, the District and the City agree as follows:

## ARTICLE I. RECITALS

Section 1.1 The recitals set forth above are true and correct and are incorporated herein and made a part hereof as findings for all purposes;

## ARTICLE II. ADOPTION OF AGREEMENT AND LIMITED PURPOSE ANNEXATION OF PROPERTY

Section 2.1 Public Hearings. The Parties acknowledge and agree that prior to the execution of this Agreement, the Board and the City Council conducted public hearings to consider the adoption of this Agreement and that such hearings were noticed and conducted in accordance with all applicable laws.

Section 2.2 Effective Date. The effective date of this Agreement (the "Effective Date") is the date it is approved and adopted by the City Council.

Section 2.3 Filing in Property Records. This Agreement shall be filed in the Real Property Records of \_\_\_\_\_ County, Texas.

Section 2.4 Limited Purpose Annexation of Original Limited Purpose Property. The Parties agree that the City may annex the Original Limited Purpose Property for the sole and limited purpose of collecting sales and use taxes authorized by Chapter 321 of the Texas Tax Code (the "Tax Code") to be imposed by the City on sales consummated within the Original Limited Purpose Property. The District acknowledges and agrees that the City Council may adopt a limited purpose annexation ordinance applicable to the Original Limited Purpose Property at a meeting conducted in accordance with Chapter 551 of the Texas Government Code and that no further notices, hearings, or other procedures shall be required to adopt such limited purpose annexation ordinance. The City may commence limited purpose annexation of the Original Limited Purpose Property upon the Effective Date.

Section 2.5 Limited Purpose Annexation of Additional Commercial Property. If in the future any non-commercial land within the District as of the Effective Date is converted to any commercial use that contains eligible commercial activities for purposes of imposing sales and use taxes as allowed by the Tax Code, the Parties agree that the City may annex such additional commercial land (the "Additional Limited Purpose Property") for the sole and exclusive purpose of imposing sales and use taxes pursuant to this Agreement. The District acknowledges and agrees that the City Council may adopt a limited purpose annexation ordinance applicable to the Additional Limited Purpose Property at a meeting conducted in accordance with Chapter 551 of the Texas Government Code and that no further notices, hearings, or other procedures shall be required to adopt such limited purpose annexation ordinance.

Section 2.6 [Limited Purpose Annexation of Connecting Land]. The Parties further agree that the City may limited purpose annex additional land within the District (up to a maximum width of 1,001 feet) as reasonably necessary to connect the Original Limited Purpose Property or any Additional Limited Purpose Property to the corporate or extraterritorial limits of the City (the "Connecting Limited Purpose Property"). The City may annex Connecting Limited Purpose Property for the sole and exclusive purpose of imposing sales and use taxes pursuant to this Agreement. The District acknowledges and agrees that the City Council may adopt a limited

purpose annexation ordinance applicable to the Connecting Limited Purpose Property at a meeting conducted in accordance with Chapter 551 of the Texas Government Code and that no further notices, hearings, or other procedures shall be required to adopt such limited purpose annexation ordinance.]

Section 2.7 Limited Purpose Property and Sales and Use Tax Revenues. For purposes of this Agreement, the Original Limited Purpose Property, Additional Limited Purpose Property, and [Connecting Limited Purpose Property] shall collectively be referred to as the “Limited Purpose Property”; and the sales and use taxes collected within the Limited Purpose Property shall be referred to as the “Sales and Use Tax Revenues”).

Section 2.8 Consent to Limited Purpose Annexation. The District on behalf of itself and all present and future owners of land within the District, hereby requests that the City annex the Limited Purpose Property solely for the purposes provided in this agreement. The District consents to such annexations, from time to time, and to the collection of sales and use tax revenues by the City within the Limited Purpose Property. Such consent shall bind the District and each Owner and future Owner of land within the District.

Section 2.9 Limited District. The District is not a limited district as defined in Subsection (a)(2) of the Act.

### **ARTICLE III. TAXATION**

Section 3.1 Collection of Sales and Use Tax Revenues. The City may impose a sales and use tax within the Limited Purpose Property pursuant to Subsection (k) of the Act. The sales and use tax may be imposed on all eligible commercial activities at the rate allowed under the Tax Code. Collection of Sales and Use Tax Revenues shall take effect on the date described in Section 321.102 of the Tax Code.

Section 3.2 Payment of Sales and Use Tax. The City shall pay to the District an amount equal to 50% of the Sales and Use Tax Revenues collected within the Limited Purpose Property (the “District Share”) commencing upon the effective date of the limited purpose annexation of the Limited Purpose Property and terminating upon the full purpose annexation or disannexation of the Limited Purpose Property. The City shall pay the District Share within 30 days after the City receives the sales tax report reflecting such revenues from the Comptroller of Public Accounts of the State of Texas (the “Comptroller”). Any payment of the District Share not made within such 30-day period shall bear interest calculated in accordance with Section 2251.025 of the Texas Government Code. The City shall retain all Sales and Use Tax Revenues that do not constitute the District Share (the “City Share”).

Section 3.3 Use of the Sales and Use Tax Revenues. The District may use the District Share for the following purposes and in the following order of priority: (i) FIRST, to pay for police, fire, and EMS services within the District; (ii) SECOND, to reimburse owners and developers of land within the District for the cost to design and construct improvements that are otherwise eligible for reimbursement through the issuance of District bonds (“Infrastructure”); (iii) THIRD, to pay for the operation, maintenance, repair, and replacement of Infrastructure; and

(iv) LAST, for the retirement of District bonds after the 10<sup>th</sup> anniversary of issuance. The City may use the City share for any lawful purpose.

Section 3.4 Delivery of Sales Tax Reports to District. The City shall include with each payment of the District Share a condensed version of each sales tax report provided by the Comptroller relating to Sales and Use Tax Revenues within 30 days of the City's receipt of such sales tax report.

Section 3.5 Notification of Comptroller. The City shall send notice of this Agreement, together with other required documentation, to the Comptroller in the manner provided by Tax Code, Section 321.102, after the City Council annexes the Limited Purpose Property for limited purposes.

Section 3.6 Termination of Sales and Use Tax Sharing. Upon termination of this Agreement, the City shall have no further financial obligation to the District pursuant to this Agreement, and all Sales and Use Tax Revenues shall be retained by the City.

Section 3.7 City Records and District Audit Rights. The District may audit the Sales and Use Tax Revenues to determine whether the District Share has been paid in accordance with this Agreement. The City shall provide reasonable accommodations for the District to perform the audit. Any audit shall be made at the District's sole cost and expense and may be performed at any time during the City's regular business hours on 30 days' Notice (as defined in Section 7.2). For purposes of any such audits, the City shall maintain and make available to the District's representatives all books, records, documents and other evidence of accounting procedures or practices to reflect the amount of Sales and Use Tax Revenues received by the City from within the Limited Purpose Property. Notwithstanding the foregoing, however, if any audit conducted by the District reveals that the District Share has been underpaid by more than two percent (2%), the City shall reimburse the District for the reasonable costs and expenses of the audit.

#### **ARTICLE IV. FULL PURPOSE ANNEXATION**

Section 4.1 Subsection C-1 Full Purpose Annexation. The Development is exempt from the municipal annexation plan requirements pursuant to Section 43.052(h)(3)(B) of the Texas Local Government Code. Consequently, the District consents, on its behalf and on behalf of all current and future owners of land included within the District, to the full purpose annexation of the Development in accordance with the procedures set forth in Chapter 43, Subchapter C-1, of the Texas Local Government Code.

Section 4.2 Conversion Date Full Purpose Annexation. Pursuant to Subsection (h) of the Act, the Limited Purpose Property shall be deemed to be within the full-purpose boundary limits of the City upon the Full Purpose Annexation Conversion Date without any further action by the City Council. For purposes of this Section 4.2, the Full Purpose Annexation Conversion Date is the date upon which the City Council adopts an ordinance that includes the Limited Purpose Property within the full-purpose boundary limits of the City. The Full Purpose Annexation Conversion Date may be altered only by mutual agreement of the District and the City.

## **ARTICLE V. TERM**

Section 5.1 This Agreement commences on the Effective Date and continues until the City annexes the Limited Purpose Property for full purposes or disannexes the Limited Purpose Property.

## **ARTICLE VI. BREACH, NOTICE AND REMEDIES**

Section 6.1 Notification of Breach. If either Party commits a breach of this Agreement, the non-breaching Party shall give Notice to the breaching Party that describes the breach in reasonable detail.

Section 6.2 Cure of Breach. The breaching Party shall commence curing the breach within 15 calendar days after receipt of the Notice of the breach and shall complete the cure within 30 days from the date of commencement of the cure; however, if the breach is not reasonably susceptible to cure within such 30-day period, the non-breaching Party shall not bring any action so long as the breaching Party has commenced to cure within such 30-day period and diligently completes the work within a reasonable time without unreasonable cessation.

Section 6.3 Remedies for Breach. If the breaching Party does not substantially cure the breach within the stated period of time, the non-breaching Party may, in its sole discretion, and without prejudice to any other right under this Agreement, law, or equity, seek any relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance, mandamus and injunctive relief; provided, however, that the non-breaching Party shall not be entitled to terminate this Agreement. The Parties specifically waive any right that they have or in the future may have to terminate this Agreement. Damages, if any, to which any non-breaching Party may be entitled shall be limited to actual damages and shall not include special or consequential damages. In addition, the prevailing party in any such action shall be entitled to reasonable attorney's fees and costs of litigation as determined in a final, non-appealable order in a court of competent jurisdiction.

## **ARTICLE VII. ADDITIONAL PROVISIONS**

Section 7.1 Voting. Pursuant to Section 43.130(a) of the Texas Local Government Code, the qualified voters of an area annexed for limited purposes are entitled to vote in municipal elections regarding the election or recall of members of the governing body of the municipality, the election or recall of the controller, if the office of controller is an elective position of the municipality, and the amendment of the municipal charter. The voters may not vote in any municipal bond election.

Section 7.2 Notices. Any notices, certifications, approvals, or other communications (a "Notice") required to be given by one Party to another under this Agreement shall be given in writing addressed to the Party to be notified at the address set forth below and shall be deemed given: (i) when the Notice is delivered in person to the person to whose attention the Notice is addressed; (ii) 10 business days after the Notice is deposited in the United States Mail, certified or registered mail, return receipt requested, postage prepaid; (iii) when the Notice is delivered by Federal Express, UPS, or another nationally recognized courier service with evidence of delivery signed by any person at the delivery address; or (iv) 10 business days after the Notice is sent by

FAX (with electronic confirmation by the sending FAX machine) with a confirming copy sent by United States mail within 48 hours after the FAX is sent. If any date or period provided in this Agreement ends on a Saturday, Sunday, or legal holiday, the applicable period for calculating the Notice shall be extended to the first business day following the Saturday, Sunday, or legal holiday. For the purpose of giving any Notice, the addresses of the Parties are set forth below. The Parties may change the information set forth below by sending Notice of such change to the other Party as provided in this Section 7.2.

To the City:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

To the District:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
Attn: \_\_\_\_\_

Section 7.3 No Waiver. Any failure by a Party to insist upon strict performance by the other Party of any provision of this Agreement shall not be deemed a waiver thereof, and the Party shall have the right at any time thereafter to insist upon strict performance of any and all of the provisions of this Agreement. No provision of this Agreement may be waived except by writing signed by the Party waiving such provision. Any waiver shall be limited to the specific purpose for which it is given. No waiver by any Party of any term or condition of this Agreement shall be deemed or construed to be a waiver of any other term or condition or subsequent waiver of the same term or condition.

Section 7.4 Governing Law and Venue. This Agreement shall be construed and enforced in accordance with the laws of the State of Texas, as they apply to contracts performed within the State of Texas and without regard to any choice of law rules or principles to the contrary. The Parties acknowledge that this Agreement is performable in \_\_\_\_\_ County, Texas and hereby submit to the jurisdiction of the courts of \_\_\_\_\_ County, Texas and hereby agree that any such court shall be a proper forum for the determination of any dispute arising hereunder.

Section 7.5 Authority to Execute. The City represents and warrants to the District that the execution of this Agreement has been duly authorized by the City Council and that the person executing this Agreement on behalf of the City has been duly authorized to do so by the City Council. The District represents and warrants to the City that the execution of this Agreement has been duly authorized by the Board and that the person executing this Agreement on behalf of the District has been duly authorized to do so by the Board.

Section 7.6 Severability. The provisions of this Agreement are severable and, in the event any word, phrase, clause, sentence, paragraph, section, or other provision of this Agreement, or the application thereof to any person or circumstance, shall ever be held or determined to be invalid, illegal, or unenforceable for any reason, and the extent of such invalidity or unenforceability does not cause substantial deviation from the underlying intent of

the Parties as expressed in this Agreement, then such provision shall be deemed severed from this Agreement with respect to such person, entity or circumstance, without invalidating the remainder of this Agreement or the application of such provision to other persons, entities or circumstances, and a new provision shall be deemed substituted in lieu of the provision so severed which new provision shall, to the extent possible, accomplish the intent of the Parties as evidenced by the provision so severed.

Section 7.7 Changes in State or Federal Laws. If any state or federal law changes so as to make it impossible for the City or the District to perform its obligations under this Agreement, the parties will cooperate to amend this Agreement in such a manner that is most consistent with the original intent of this Agreement as legally possible.

Section 7.8 Additional Documents and Acts. The Parties agree that at any time after execution of this Agreement, they will, upon request of the other Party, execute and/or exchange any other documents necessary to effectuate the terms of this Agreement and perform any further acts or things as the other Party may reasonably request to effectuate the terms of this Agreement.

Section 7.9 Assignment. This Agreement shall not be assignable without the other Party's written consent. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective representatives, successors, and assigns as permitted by this Agreement.

Section 7.10 Amendment. This Agreement may be amended only with the written consent of the Parties and with approval of the governing bodies of the City and the District.

Section 7.11 Interpretation. This Agreement has been negotiated by the Parties, each of which has been represented by counsel; consequently, the rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

Section 7.12 No Third Party Beneficiaries. This Agreement is solely for the benefit of the City and the District, and neither the City nor the District intends by any provision of this Agreement to create any rights in any third-party beneficiaries or to confer any benefit or enforceable rights under this Agreement or otherwise upon anyone other than the City and the District.

Section 7.13 Governmental Powers. Neither Party waives or surrenders any of its respective governmental powers, immunities or rights, except as specifically waived pursuant in this Section 7.13. Each Party waives its respective governmental immunity from suit and liability only as to any action brought by the other Party to pursue the remedies available under this Agreement. Nothing in this Section 7.13 shall waive any claims, defenses or immunities that either Party has with respect to suits against them by persons or entities not a party to this Agreement.

Section 7.14 Incorporation of Exhibits by Reference. All exhibits attached to this Agreement are incorporated into this Agreement by reference for the purposes set forth herein, as follows:

Exhibit A	Depiction of the Development
Exhibit B	Legal Description of the Development
Exhibit C	Depiction of the Limited Purpose Property
Exhibit D	Legal Description of the Limited Purpose Property

1.1 Counterpart Originals. This Agreement may be executed in multiple counterparts, each of which shall be deemed to be an original.

**[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]**

APPROVED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF \_\_\_\_\_ ON \_\_\_\_\_, 20\_\_.

**ATTEST:**

**CITY OF** \_\_\_\_\_

\_\_\_\_\_  
City Secretary

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: \_\_\_\_\_

**APPROVED AS TO FORM AND LEGALITY:**

\_\_\_\_\_  
City Attorney

APPROVED AND ADOPTED BY THE BOARD OF DIRECTORS OF THE \_\_\_\_\_ DISTRICT ON \_\_\_\_\_, 20\_\_.

[DISTRICT]

By: \_\_\_\_\_  
Printed Name: \_\_\_\_\_  
Title: President, Board of Directors

STATE OF TEXAS           §  
  §  
COUNTY OF \_\_\_\_\_ §

          This instrument was acknowledged before me on \_\_\_\_\_, 20\_\_, by  
\_\_\_\_\_, the \_\_\_\_\_ of the City of \_\_\_\_\_, Texas on behalf of  
the city.

\_\_\_\_\_  
Notary Public, State of Texas

STATE OF TEXAS           §  
  §  
COUNTY OF \_\_\_\_\_ §

          This instrument was acknowledged before me on \_\_\_\_\_, 20\_\_, by  
\_\_\_\_\_, the President, Board of Directors of the [DISTRICT] on behalf of the district.

\_\_\_\_\_  
Notary Public, State of Texas

**Exhibit A to Strategic Partnership Agreement**

**Depiction of the Development**

**Exhibit B to Strategic Partnership Agreement**  
**Legal Description of the Development**

**Exhibit C to Strategic Partnership Agreement**  
**Depiction of the Limited Purpose Property**

**Exhibit D to Strategic Partnership Agreement**  
**Legal Description of the Limited Purpose Property**