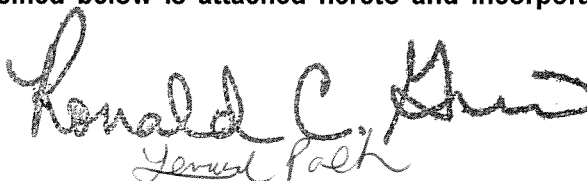


Controller's Office

To the Honorable Mayor and City Council of the City of Houston:

I hereby certify, with respect to the money required for the contract, agreement, obligation, or expenditure contemplated by the ordinance set out below that:

- () Funds have been encumbered out of funds previously appropriated for such purpose.
- () Funds have been certified and designated to be appropriated by separate ordinance to be approved prior to the approval of the ordinance set out below.
- () Funds will be available out of current or general revenue prior to the maturity of any such obligation.
- () No pecuniary obligation is to be incurred as a result of approving the ordinance set out below.
- () The money required for the expenditure or expenditures specified below is in the treasury, in the fund or funds specified below, and is not appropriated for any other purposes.
- () A certificate with respect to the money required for the expenditure or expenditures specified below is attached hereto and incorporated herein by this reference.
- (X) Other.


Ronald C. Paul
General Paek

Date: 12-9, 2014.

City Controller of the City of Houston

MS
AS
FUND REF: N/A AMOUNT: - 0 ENCUMB. NO.: NF50017-15

City of Houston, Texas, Ordinance No. 2014 - 1139

AN ORDINANCE APPROVING AND CREATING THE BUFFALO POINTE ECONOMIC DEVELOPMENT PROGRAM PURSUANT TO CHAPTER 380, TEXAS LOCAL GOVERNMENT CODE; APPROVING AND AUTHORIZING AN ECONOMIC DEVELOPMENT AGREEMENT BETWEEN THE CITY OF HOUSTON, TEXAS, AND HARRIS COUNTY IMPROVEMENT DISTRICT NO. 12 FOR THE FINANCING OF CERTAIN PUBLIC WORKS AND IMPROVEMENTS; APPROVING AND AUTHORIZING THE ISSUANCE OF BONDS BY HARRIS COUNTY IMPROVEMENT DISTRICT NO. 12 IN ACCORDANCE WITH THE REQUIREMENTS OF SECTION 3880.105(A)(1), TEXAS SPECIAL DISTRICTS LOCAL LAWS CODE, SUBJECT TO

THE PROVISIONS OF THE ECONOMIC DEVELOPMENT AGREEMENT; MAKING FINDINGS AND CONTAINING OTHER PROVISIONS RELATING TO THE FOREGOING SUBJECT; AND DECLARING AN EMERGENCY.

* * * * *

WHEREAS, pursuant to Article III, Chapter 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code ("Chapter 380"), the City has the authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity within the City, advancing the development and diversification of the economy of the City and the State of Texas (the "State"), eliminating unemployment or underemployment in the City and the State, and developing or expanding transportation and commerce within the City and the State;

WHEREAS, Harris County Improvement District No. 12 (the "District") is a special district created by the Texas Legislature in 2009, under Article XVI, Section 59 of the Texas Constitution, through an Act now codified as Chapter 3880 of the Texas Special District Local Laws Code; and

WHEREAS, by Ordinance No. 2011-1114, adopted by City Council on December 7, 2011, the City consented to the creation of the District and imposed certain terms and conditions on the District; and

WHEREAS, the City now wishes to establish a separate and additional economic development program (the "Buffalo Pointe Economic Development Program") applicable only to that certain area of the City generally referred to as the Buffalo Pointe impact area, described more particularly in **Exhibit "A"** attached hereto and incorporated herein (the "Buffalo Pointe Economic Impact Area") under which the City has the

authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity; and

WHEREAS, to serve the Buffalo Pointe Economic Impact Area, the City intends to design and construct, and to fund approximately one-half of the costs of, certain public works and improvements, including a 48” sanitary sewer line within the Holmes Road right-of-way between Buffalo Speedway and Knight Road that will provide sewer service to approximately 1,700 acres of undeveloped land (the “Public Improvements”);

WHEREAS, the District intends to issue bonds to finance approximately one-half of the costs of the Public Improvements in accordance with the terms and conditions of an economic development agreement with the City (the “Economic Development Agreement”); and

WHEREAS, the City recognizes that the Public Improvements will provide a public benefit to the City by improving City public infrastructure components, which will stimulate economic development within the Buffalo Pointe Economic Impact Area;

WHEREAS, the City and the District have the authority to contract for the development of the Public Improvements pursuant to Chapter 380 and pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code; and

WHEREAS, the City recognizes the positive economic impact that the Public Improvements will bring to the City through the timely development and diversification of the economy, elimination of unemployment and underemployment through the creation and retention of new jobs, the attraction of new businesses, and the retention and growth of the ad valorem tax revenues within the City as a result of construction of the

Public Improvements and the ad valorem tax revenues generated within the Buffalo Pointe Economic Impact Area; and

WHEREAS, the City recognizes that the Public Improvements will provide a public service and benefit to the City by providing sewer service to approximately 1,700 acres of undeveloped land, which will directly stimulate economic development within the immediate vicinity of the Public Improvements; and

WHEREAS, in consideration of the District's undertaking to issue bonds to partially finance the design and construction of the Public Improvements for the City's use, operation, and maintenance, all of which will bring additional ad valorem tax revenues to the City, the City desires to enter into the Economic Development Agreement with the District pursuant to Chapter 380 and other laws applicable to the development of the Public Improvements as an economic incentive for the District to issue the bonds to partially finance the design, construction, and delivery of the Public Improvements; and

WHEREAS, to ensure that the payments and benefits the City provides under the Economic Development Agreement are utilized in a manner consistent with Chapter 380 and other applicable laws, the District has agreed therein to comply with certain conditions; and

WHEREAS, the City has concluded and hereby finds that the Economic Development Agreement promotes economic development in the City and, as such, constitutes a program for promoting economic development within the meaning and requirements of Chapter 380, and other law, and, further, is in the best interests of the City and the District; and

WHEREAS, the City Council finds that it is necessary and appropriate to approve the issuance of bonds by the District to finance the Public Improvements, in accordance with the requirements of Section 3880.105(a)(1), Texas Special Districts Local Laws Code, subject to the provisions of the Economic Development Agreement; and

WHEREAS, the City Council finds that it is necessary and appropriate to waive certain terms and conditions contained in Ordinance No. 2011-1114 in order to permit the Bonds (as that term is defined in the Economic Development Agreement) to be sold at a public sale or a private sale; **NOW, THEREFORE**,

BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF HOUSTON, TEXAS:

Section 1. Findings. That the facts and recitals contained in the preamble of this Ordinance are hereby found and declared to be true and correct and are hereby adopted as part of this Ordinance.

Section 2. Buffalo Pointe Economic Development Program. That there is hereby established the Buffalo Pointe Economic Development Program pursuant to the provisions of Chapter 380 of the Texas Local Government Code (the "Program"). The purposes of the Program shall be to design and construct the Public Improvements.

Section 3. Buffalo Pointe Economic Impact Area. That the Buffalo Pointe Economic Impact Area is the area shown on **Exhibit "A"** attached hereto and incorporated herein.

Section 4. Economic Development Agreement. That the City Council hereby approves and authorizes the Economic Development Agreement described in the title of this Ordinance, in substantially the form shown in the document attached hereto as **Exhibit "B"** (the "Economic Development Agreement") and incorporated herein by this reference. The Mayor is hereby authorized to execute the Economic Development Agreement and all related documents on behalf of the City of Houston. The City Secretary is hereby authorized to attest to all such signatures and to affix the seal of the City to all such documents.

Section 5. Bonds. That the City Council hereby approves and authorizes the issuance of Bonds (as that term is defined in the Economic Development Agreement) by Harris County Improvement District No. 12 in accordance with the requirements of Section 3880.105(a)(1), Texas Special Districts Local Laws Code, subject to the

provisions of the Economic Development Agreement. Notwithstanding the provisions of Exhibit B of Ordinance No. 2011-1114, and to the extent permitted by Chapter 3880, Texas Special Districts Local Laws Code, as may be amended, the District may sell the Bonds at a public or private sale without the necessity of taking public bids therefor or giving a notice of sale.

Section 6. City Attorney Authorization. That the City Attorney is hereby authorized to take all action necessary to enforce all legal obligations under such contracts, agreements, or other undertakings approved by this Ordinance without further authorization from Council.

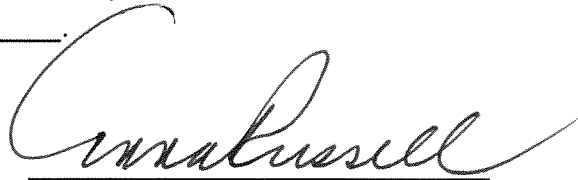
Section 7. Emergency. That there exists a public emergency requiring that this Ordinance be passed finally on the date of its introduction as requested in writing by the Mayor; therefore, this Ordinance shall be passed finally on such date and shall take effect immediately upon its passage and approval by the Mayor; however, in the event that the Mayor fails to sign this Ordinance within five days after its passage and adoption, it shall take effect in accordance with Article VI, Section 6, Houston City Charter.

PASSED AND ADOPTED this 10th day of December, 2014.

APPROVED this _____ day of _____, 2014.

Mayor of the City of Houston

Pursuant to Article VI, Section 6, Houston City Charter, the effective date of the foregoing Ordinance is DEC 18 2014.



City Secretary

(Prepared by Legal Department
(MFB:mfb December 4, 2014)
(Requested by Andrew F. Icken, Chief Development Officer)
(L. D. File No. 0331400017001)
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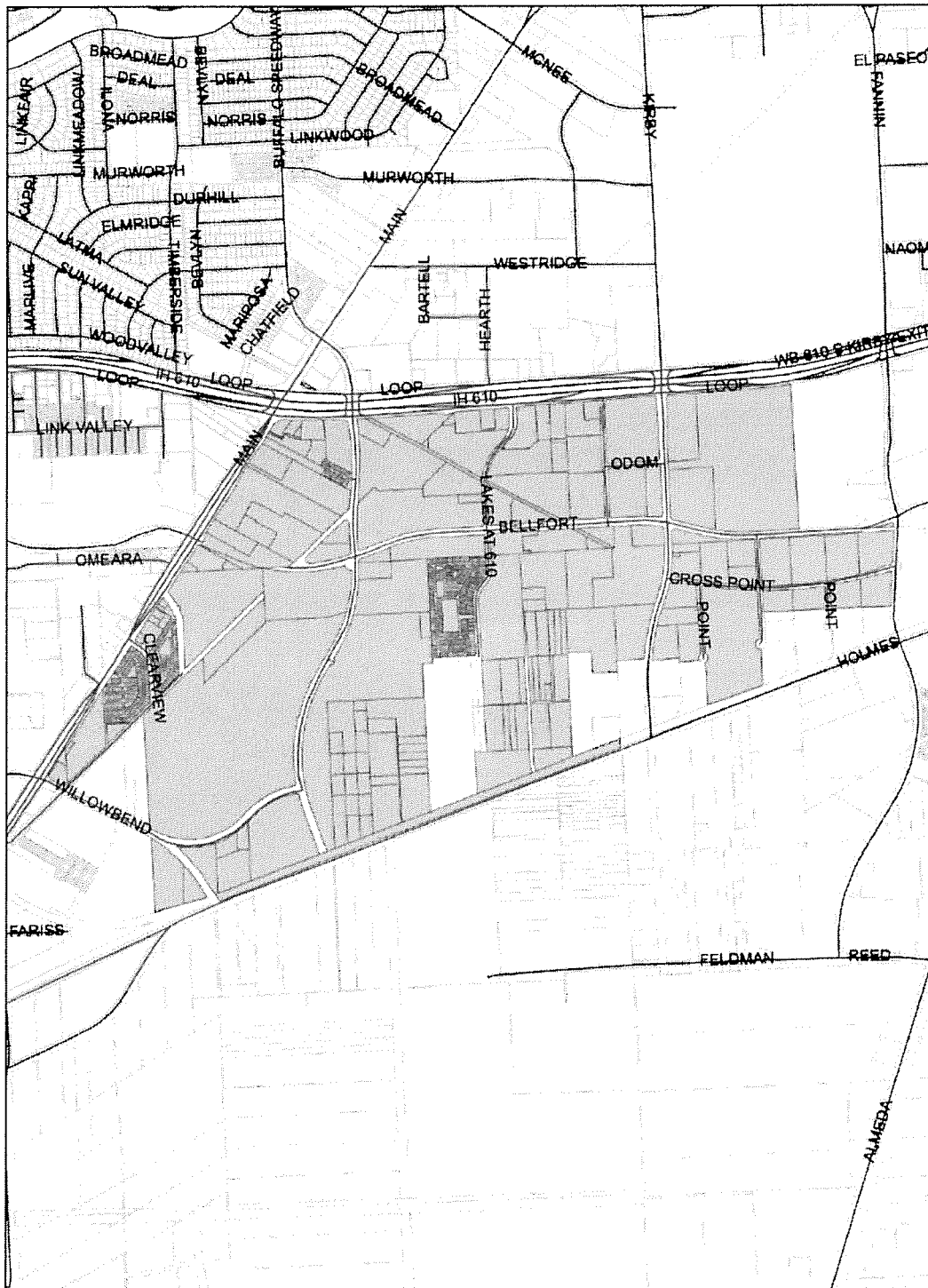


Senior Assistant City Attorney

AYE	NO	
ABSENT-OUT OF CITY		
CITY BUSINESS		MAYOR PARKER
••••	••••	COUNCIL MEMBERS
✓		STARDIG
✓		DAVIS
✓		COHEN
✓		BOYKINS
✓		MARTIN
✓		NGUYEN
✓		PENNINGTON
✓		MAYOR PRO TEM PRESIDING
		GONZALEZ
✓		GALLEGOS
✓		LASTER
✓		GREEN
✓		COSTELLO
ABSENT-ON		
PERSONAL BUSINESS		ROBINSON
✓		KUBOSH
✓		BRADFORD
✓		CHRISTIE
CAPTION	ADOPTED	

EXHIBIT A
BUFFALO POINTE ECONOMIC IMPACT AREA

Economic Impact Area: Holmes Road Sewer Line



Legend

- Holmes Road Economic Impact Area
- cohgis.COHGIS.ROADS
- cohgis.COUNTY.APPRAISAL_HCAD_PARCELS_INFO_April2013

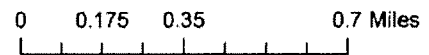


EXHIBIT B
ECONOMIC DEVELOPMENT AGREEMENT

ECONOMIC DEVELOPMENT AGREEMENT

THIS AGREEMENT ("Agreement") by and between the CITY OF HOUSTON, TEXAS, a Texas home-rule municipal corporation (the "City") and HARRIS COUNTY IMPROVEMENT DISTRICT NO. 12, a special district created under Chapter 3880, Texas Special District Local Laws Code, pursuant to Section 59, Article XVI, Texas Constitution (the "District"), is entered into as of the date the City Controller countersigns this Agreement (the "Effective Date").

RECITALS

WHEREAS, the District and the City desire for the District to issue Bonds (as defined herein) to facilitate design and construction by the City of a 48" sanitary sewer line within the Holmes Road right-of-way between Buffalo Speedway and Knight Road that will provide sewer service to approximately 1,700 acres of undeveloped land (the "Holmes Road Sanitary Sewer Line"), as depicted on the map marked as **Exhibit A** attached hereto and as described in a list marked as **Exhibit B** attached hereto (the "Public Improvements");

WHEREAS, to finance the Public Improvements, the City intends to fund approximately one-half (1/2) of the Public Improvements Costs (as defined below) out of enterprise funds by entering into a separate cooperative development agreement with the District relating to construction of the Holmes Road Sanitary Sewer Line (the "Cooperative Development Agreement"), and the City requests that the District issue the Bonds to fund the remaining approximate one-half (1/2) of the Public Improvements Costs (the "Bond-Funded Public Improvements Costs") in accordance with the terms of this Agreement;

WHEREAS, the District requests that the City agree to pay the District, for the District's use to pay debt service on the Bonds, a total amount not to exceed the sum of the Maximum Reimbursement Amount (as that term is defined herein) from revenues of the City;

WHEREAS, the District intends to partially finance, and the City intends to design and construct, the Public Improvements in accordance with the terms and conditions of this Agreement, the Cooperative Development Agreement, and the applicable requirements of state and local law;

WHEREAS, the City and the District have the authority to contract for the development of the Public Improvements pursuant to Chapter 380 (as defined below) and pursuant to the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code;

WHEREAS, pursuant to Article III, Chapter 52-a of the Texas Constitution and Chapter 380 of the Texas Local Government Code ("Chapter 380"), the City has the authority to use public funds for the public purposes of promoting local economic

development and stimulating business and commercial activity within the City, advancing the development and diversification of the economy of the City and the State of Texas (the "State"), eliminating unemployment or underemployment in the City and the State, and developing or expanding transportation and commerce within the City and the State;

WHEREAS, by Ordinance No. 2014-_____,¹ the City has established a program in accordance with Chapter 380 known as the Buffalo Pointe Economic Development Program ("Program") under which the City has the authority to use public funds for the public purposes of promoting local economic development and stimulating business and commercial activity;

WHEREAS, the City recognizes the positive economic impact that the Public Improvements will bring to the City through the timely development and diversification of the economy, elimination of unemployment and underemployment through the creation and retention of new jobs, the attraction of new businesses, and the retention and growth of the ad valorem tax revenues within the City as a result of construction of the Public Improvements and the ad valorem tax revenues generated within and in proximity to the District, all as depicted in blue on **Exhibit C** attached hereto (the "Economic Impact Area");

WHEREAS, the City recognizes that the Public Improvements will provide a public service and benefit to the City by providing sewer service to approximately 1,700 acres of undeveloped land, which will directly stimulate economic development within the immediate vicinity of the Public Improvements;

WHEREAS, in consideration of the District's undertaking to issue its Bonds to partially finance the design and construction of the Public Improvements for the City's use, operation, and maintenance, all of which will bring additional ad valorem tax revenues to the City, the City desires to enter into this Agreement with the District pursuant to Chapter 380 and other laws applicable to the development of the Public Improvements as an economic incentive for the District to issue its Bonds to partially finance the design, construction, and delivery of the Public Improvements;

WHEREAS, to ensure that the payments and benefits the City provides under this Agreement are utilized in a manner consistent with Chapter 380 and other applicable laws, the District has agreed herein to comply with certain conditions;

WHEREAS, in consideration of the District's commitment to issue its Bonds to partially finance the design and construction of the Public Improvements, which are anticipated to generate increased tax revenues for the City, the City agrees to make full and timely payment to the District the Annual Payment (as defined herein) to reimburse the District for the Bond-Funded Public Improvements Costs and the Bond Issuance Costs (as defined herein), but not more than the Maximum Reimbursement Amount (as defined herein);

¹ City Secretary to insert Ordinance number.

WHEREAS, the City has concluded and hereby finds that this Agreement promotes economic development in the City and, as such, constitutes a program for promoting economic development within the meaning and requirements of Chapter 380, and other law, and, further, is in the best interests of the City and the District;

WHEREAS, consistent with Chapter 380 and other laws, the City and the District, as contemplated in this Agreement, agree to work together to advance the public purposes of developing and diversifying the economy of the State, eliminating unemployment or underemployment in the State, and developing or expanding transportation or commerce in the State; and

NOW, THEREFORE, for and in consideration of the premises and the promises and mutual agreements set forth herein, the Parties agree as follows:

ARTICLE I GENERAL TERMS

A. Incorporation of Recitals. The recitals to this Agreement are hereby incorporated for all purposes.

B. Definitions and Terms. The terms "Agreement," "Bond-Funded Public Improvements Costs," "Chapter 380," "City," "Cooperative Development Agreement," "District," "Economic Impact Area," "Effective Date," "Holmes Road Sanitary Sewer Line," "Program," "Public Improvements," and "State" have the meanings given to such terms in the Recitals, and the following terms have the following meanings:

1. Annual Payment" means the annual payment to be paid by the City to the District calculated in accordance with Article VI.A of this Agreement.

2. Base Value" means the amount of real property ad valorem taxes levied by the City based upon the total taxable appraised value of real property in the Economic Impact Area as of January 1, 2012, and collected by the City.

3. Bond Issuance Costs" means the fees, expenses and other costs related to issuance of the Bonds.

4. Bonds" means the contract revenue bonds, bearing interest at rates fixed for each maturity, to be issued by the District to finance (i) the Bond-Funded Public Improvements Costs and (ii) the Bond Issuance Costs.

5. Captured Appraised Value" means, for each year during the term of this Agreement, the incremental increase between (i) the amount of real property ad valorem taxes levied by the City and attributable to total taxable appraised value of real property in the Economic Impact Area as of January 1 of the then-current year and (ii) the Base Value.

6. "City Consent Ordinance" means City Ordinance No. 2011-1114, whereby the City consented to the creation of the District.

7. "City Project Account" means the dedicated project account created by the City as described in Article V of this Agreement.

8. "Debt Service Payment" means, for each year during the term of this Agreement, the amount due on the Bonds for that year, which amount includes principal and interest.

9. "Debt Service Reserve" means, for each year during the term of this Agreement, an amount equal to 25% of the District's Debt Service Payment on the Bonds.

10. "Debt Service Schedule" means the document that sets forth the annual Debt Service Payments due on the Bonds.

11. "Force Majeure" has the meaning ascribed to it in Article VII.B of this Agreement.

12. "Maximum Reimbursement Amount" means an amount not to exceed the sum of all annual Debt Service Payments on the Bonds plus the sum of all annual Debt Service Reserves.

13. "Parties" or "Party" means the City and the District.

14. "Public Improvements Costs" means all costs of financing, acquisition, design, development, construction, completion, and delivery of the Public Improvements, including (i) the acquisition cost of any land that is part of the Public Improvements; (ii) all costs of design, engineering, materials, labor, construction, testing and inspection and other services arising in connection with the design, construction, and completion of the Public Improvements; (iii) all payments arising under any contracts entered into for the design or construction of the Public Improvements; and (iv) all costs incurred in connection with obtaining governmental approvals, certificates, and permits required in connection with the construction of the Public Improvements, including the legal, engineering, and other consultant fees, services, and expenses related to the design and construction of the Public Improvements, the issuance, delivery, and payment of the District's Bonds, and the drafting and negotiation of this Agreement, all of which shall constitute a program in accordance with Chapter 380.

15. "PWE" means the City's Department of Public Works and Engineering.

16. "PWE Director" means the Director of the PWE, or the Director's designee.

C. Singular and Plural. Words used herein in the singular, where the context so permits, also include the 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.

D. Term of the Agreement. The term of this Agreement shall commence on the Effective Date and shall terminate upon the payment by the City of the final Annual Payment as provided in Article VI.B below, except as otherwise provided in Article VIII.M of this Agreement.

ARTICLE II THE PUBLIC IMPROVEMENTS

A. The Public Improvements. The City shall design and construct (or cause to be designed and constructed) the Public Improvements, which may be designed and constructed in phases, in accordance with the terms and conditions of this Agreement and the Cooperative Development Agreement.

The list of Public Improvements set forth in **Exhibit B** may be modified at any time by mutual agreement of the City's Mayor or the Mayor's designee and the District to modify, add, or remove Public Improvements (or any applicable portion thereof) if (i) the modification, addition, or removal is necessary to achieve the intent of this Agreement, (ii) the modification, addition, or removal is consistent with the Program approved herein and the proceedings authorizing the issuance, sale, and delivery of the District's Bonds; and (iii) the modification, addition, or removal costs will not require issuance of Bonds in excess of a total aggregate principal amount of \$9,000,000.00. Although the actual costs of the Public Improvements listed in **Exhibit B** may be higher or lower than the line item estimates provided therein, the City may reallocate costs among the line items based upon the City's actual costs for the Public Improvements as required to complete the Public Improvements so long as any reallocation does not require issuance of the District's Bonds in excess of a total aggregate principal amount of \$9,000,000.00 and the District's obligations shall be limited further as set forth in Article IV below.

B. Standards and Approvals. Construction of the Public Improvements will be in accordance with the approved plans and specifications, and with the City's applicable standards and specifications.

C. Inspections and Compliance. Invoices and cost schedules related to the Public Improvements Costs will be subject to review and approval of PWE. Upon approval of an invoice or cost schedule under this Section, PWE will submit the invoice or cost schedule to the City's Economic Development Division.

ARTICLE III REPRESENTATIONS

A. Representations of the City. The City hereby represents to the District that as the date hereof:

The City is a duly created and existing municipal corporation and home rule municipality of the State 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.

The City has the power, authority and legal right under the laws of the State and the City Charter to enter into and perform this Agreement and the execution, delivery and performance hereof (i) will not, to the best of its knowledge, violate any applicable judgment, order, law, regulation or City Charter provision, and (ii) do 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.

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 except to the extent that the enforceability of this Agreement may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights.

The execution, delivery and performance of this Agreement by the City do not require the consent or approval of any person that has not been obtained.

B. Representations of the District. The District hereby represents to the City that as of the date hereof:

The District is duly created as a special district under Chapter 3880, Texas Special District Local Laws Code, pursuant to Section 59, Article XVI, Texas Constitution and is authorized to carry on the governmental functions and operations as contemplated by this Agreement.

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

This Agreement has been duly authorized, executed and delivered and constitutes a legal, valid and binding obligation of the District, enforceable in accordance with its terms except to the extent that the enforceability of this Agreement

may be limited by bankruptcy, reorganization, insolvency, moratorium or other similar laws of general application in effect from time to time relating to or affecting the enforcement of creditors' rights.

The execution, delivery, and performance of this Agreement by the District do not require the consent or approval of any person that has not been obtained other than, with respect to issuance of the District's Bonds hereunder, the consents or approvals of the Texas Commission on Environmental Quality, as and if required, and the Attorney General of the State.

The District has the authority to issue Bonds subject to the conditions of Section 3880.105, Texas Special District Local Laws Code, the City Consent Ordinance, and of Article IV.(1) of this Agreement.

ARTICLE IV DISTRICT COMMITMENTS

In consideration of the City's agreeing to pay the District the Maximum Reimbursement Amount in accordance with the terms, provisions, and conditions of this Agreement, the District agrees to fulfill the following conditions in order to receive the Maximum Reimbursement Amount:

(1) The District intends to issue its Bonds in one or more series in the approximate total aggregate principal amount of \$9,000,000.00 to finance the Bond-Funded Public Improvements Costs and the Bond Issuance Costs, subject to the approval of the Texas Commission on Environmental Quality, if required, and the Attorney General of the State. The City will cooperate with the District, as and if necessary, to obtain said approval. Unless otherwise provided herein or in the ordinance establishing the Program, the Bonds will comply with all of the conditions set forth in the City Consent Ordinance, including without limitation the following requirements: (i) none of the Bonds, other than refunding bonds, will be sold for less than 95% of par; and (ii) the net effective interest rate on Bonds so sold, taking into account any discount or premium as well as the interest rate borne by such Bonds, does not exceed two percent (2%) above the highest average interest rate reported by the Daily Bonds Buyer in its weekly "20 Bond Index" during the one-month period next preceding the date notice of the sale of such Bonds is given.

In no event shall the District be obligated to (i) issue its Bonds in a total aggregate principal amount in excess of \$9,000,000.00, or (ii) issue its Bonds, or any series thereof, in a principal amount or having payment terms or interest rates in excess of that which (a) can be fully and timely paid, according to their terms, out of the Annual Payment installments, or (b) is required to produce sufficient proceeds, net of issuance costs and the funding of any required reserve fund for the Bonds including the Debt Service Reserve, for the City to design, construct, complete, and deliver the Public Improvements.

(2) The District's Bonds, and all appropriate documents relating to the offering, sale, and delivery of the Bonds, shall state in conspicuous print that the Bonds are not an obligation of the City. The City shall timely provide to the District information regarding the City's obligation to pay, and revenues for, the Annual Payment as may be reasonably requested by the District for inclusion in the documents relating to the offering, sale and delivery of the District's Bonds.

(3) Upon issuance of the initial series of the Bonds, the District will provide the Debt Service Schedule to the City. Upon issuance of any subsequent series of the Bonds, the District will provide a revised Debt Service Schedule to the City.

(4) The District shall transfer the proceeds of the Bonds, less the Bond Issuance Costs, to the City Project Account in accordance with the terms of the Cooperative Development Agreement. The City shall use the proceeds of the Bonds in the City Project Account only for payment of the Bond-Funded Public Improvements Costs and the audits and annual reports required pursuant to Article V.B of this Agreement. Following the completion of and payment for all of the Bond-Funded Public Improvements Costs and the calculation by the PWE Director, pursuant to the "True Up Payment" provisions of the Cooperative Development Agreement, of the amount of the refund, if any, that is due, the City shall transfer any unspent proceeds of the Bonds to the District's debt service fund for the Bonds.

(5) The City may, but is not obligated to, make payments to the District in excess of the Annual Payment. The District shall deposit the excess payment in a debt service fund for the Bonds to be used for the early redemption of the Bonds, so long as any such deposit will not adversely affect the tax exempt status of the Bonds under applicable federal law.

ARTICLE V CITY OBLIGATIONS

A. City Project Account. The City shall use the monies in the City Project Account only for payment of Bond-Funded Public Improvements Costs. Any monies received from investing and reinvesting the monies in the City Project Account shall remain in the City Project Account, shall be used only for payment of Bond-Funded Public Improvements Costs, and may not be commingled with other monies of the City. Monies in the City Project Account may be invested and reinvested by the City only in investments authorized by the Public Funds Investment Act (Chapter 2256, Texas Government Code). Monies on deposit in the City Project Account will be secured by the depository bank in accordance with the provisions of the Public Funds Collateral Act (Chapter 2257, Texas Government Code).

B. Accounts and Records. The City will maintain records and accounts in which full, true, and proper entries will be made on all dealings, transactions, business, and matters that in any way affect or pertain to the allocation and application of the City

Project Account. All records shall be maintained in accordance with Generally Accepted Accounting Principles and shall be clearly identified and readily accessible. The City shall provide free access to the records at all reasonable times to the District or its representatives and shall permit them to examine and audit the same and make copies thereof upon five (5) business days' prior written notice to the City. The City shall further allow the District [and its representatives to make inspections of all work data, documents, proceedings, and activities related to this Agreement upon five (5) business days' prior written notice to the City.

After the end of each of the City's fiscal years during the term of this Agreement (beginning with the fiscal year or fraction thereof during which this Agreement is executed), the City will (i) have an audit prepared by an independent certified public accountant for that fiscal year, and (ii) prepare an annual report containing information on the amount and source of revenue in the City Project Account and the amount and purposes of the expenditures from the City Project Account. The City shall furnish an annual report and a copy of the audit without cost to the District within one hundred thirty-five (135) days after the end of each of the City's fiscal years during the term of this Agreement.

C. Public Improvements Funding. The City will secure the funds necessary to design and construct a phase of the Public Improvements prior to contracting for the design or construction of such phase of Public Improvements.

D. Competitive Bidding. Construction contracts for Public Improvements shall be let on a competitive bidding basis as required by law applicable to the City. After preparation of final plans and specifications, the City shall advertise for or solicit bids for construction as described in the final plans and specifications. The District's representatives shall be notified of, and invited to attend when applicable, pre-bid conferences, bid opening, and the award of contracts meetings in accordance with the notice provisions of Article VIII of this Agreement. The District shall designate from time to time in writing the persons who shall be their designated representatives. Failure of the District's representatives to attend any pre-bid conference, bid opening or award of contract meeting shall not be cause to postpone or otherwise delay such meeting.

E. Performance Bonds. The City shall require each contractor constructing the Public Improvements to furnish a performance bond in an amount equal to the full cost of the City's construction contract with that contractor, conditioned on the contractor's full and timely performance under the construction contract. The District and the City shall be dual obligees for each performance bond. The performance bond(s) must be in a form approved by the District and issued by a corporate surety authorized and admitted to write surety bonds in Texas. If the amount of the bond exceeds \$100,000.00, the surety must be listed on the current list of accepted sureties on federal bonds published by the United States Treasury Department or reinsured for any liability in excess of \$1,000,000.00 by a reinsurer listed on the U.S. Treasury list.

F. Maintenance of Records. The City shall be responsible for maintaining records of all costs incurred and payments made for the Public Improvements and

records evidencing compliance with all of the City's commitments required by this Article V for ten (10) years from the final payment by the City of the Public Improvements Cost and shall make such records available to the District for examination at the District's reasonable request. The District shall have the right to review and audit such records upon five (5) business days' prior written notice to the City.

ARTICLE VI REIMBURSEMENT

A. Annual Payment Calculation. The Annual Payment means an annual amount that shall be equal to the lesser of:

- (i) 100% of the City's then-current real property ad valorem tax rate applied to the City's Captured Appraised Value for the prior tax year; or
- (ii) the total of:
 - (a) the annual Debt Service Payment for that year as reflected in the Debt Service Schedule, *plus*
 - (b) any amount necessary to maintain the Debt Service Reserve for that year.

The Annual Payment shall be calculated without regard to any future abatement or rebate of any portion of real property ad valorem taxes by the City, whether pursuant to an economic development agreement, an abatement agreement, or otherwise.

B. City Remittance of Annual Payment. Following receipt of the Debt Service Schedule, the City shall commence payment of the Annual Payment to the District not later than forty-five (45) days prior to the due date of the District's first Debt Service Payment as reflected in the Debt Service Schedule. The City shall provide the District with an accounting of the real property ad valorem tax revenue collected within the Economic Impact Area with each payment of the Annual Payment.

The Annual Payment shall continue to be paid by the City each year not later than forty-five (45) days following receipt of the payment request from the District. The City shall pay the Annual Payment to the District in annual installments not later than forty-five (45) days prior to the applicable Debt Service Payment due date shown on the Debt Service Schedule for the initial series and any subsequent series of the District's Bonds, from any funds that are or can be made lawfully available to the City at the time each Annual Payment is due.

ARTICLE VII DEFAULT AND REMEDY

A. Payment Default. The City agrees that its failure to pay the Annual Payment when due is an event of default (a "Payment Default") and that the District shall be entitled to any and all of the remedies available in this Article or otherwise at law or in equity.

B. Performance Default. Subject to the provisions of Article VIII.M below with respect to the District, a Party shall be deemed in default under this Agreement (which shall be deemed a breach hereunder) if such Party fails to materially perform, observe, or comply with any of its material commitments, covenants, agreements, or obligations hereunder, or if any of its representations contained in this Agreement are false (a "Performance Default").

Before a Performance Default is deemed to be a breach of this Agreement, the Party claiming such Performance Default shall notify, in writing, the Party alleged to have committed such Performance Default and shall demand performance. No breach of this Agreement, except a Payment Default, may be found to have occurred if performance has commenced to the reasonable satisfaction of the complaining Party within thirty (30) days of the receipt by the defaulting Party of such notice of a Performance Default.

Upon a breach of this Agreement, the non-defaulting Party, in any court of competent jurisdiction, by an action or proceeding at law or in equity, may secure the specific performance of the covenants and agreements herein contained, may be awarded damages for failure of performance, or both. Except as otherwise set forth herein, no action taken by a Party pursuant to the provisions of this Section or pursuant to the provisions of any other Section of this Agreement shall be deemed to constitute an election of remedies, and all remedies set forth in this Agreement shall be cumulative and non-exclusive of any other remedy either set forth herein or available to any Party at law or in equity. The Parties shall have the affirmative obligation to mitigate their damages in the event of a default by another Party.

Notwithstanding anything in this Agreement which is or may appear to be to the contrary, if the performance of any covenant or obligation to be performed hereunder by any Party (except for any payment due by the City to the District hereunder) is delayed as a result of circumstances which are beyond the reasonable control of such Party (which circumstances may include, without limitation, pending or threatened litigation, acts of God, war, acts of civil disobedience, fire or other casualty, shortage of materials, adverse weather conditions such as, by way of illustration and not limitation, severe rain storms or below freezing temperatures, hurricanes or tornadoes, labor action, strikes or similar acts) the time for such performance shall be extended by the amount of time of such delay ("Force Majeure").

**ARTICLE VIII
GENERAL PROVISIONS**

A. Time of the Essence. Time is of the essence in the performance of this Agreement. The Parties will make every reasonable effort to expedite the subject matters hereof and acknowledge that the successful performance of this Agreement requires their continued cooperation, including, without limitation, expeditiously processing permits and approvals required for the Public Improvements.

B. Notices. Any notice sent under this Agreement (except as otherwise expressly required) shall be written and personally delivered or mailed by certified mail, return receipt requested, or sent by electronic mail confirmed by mailing written confirmation at substantially the same time as such electronic mail, or personally delivered to the receiving Party at the following addresses:

If to the District:

Harris County Improvement District No. 12
c/o Schwartz, Page & Harding, L.L.P.
1300 Post Oak Boulevard, Suite 1400
Houston, Texas 77056
Attention: President, Board of Directors
Electronic mail: jschwartz@sphllp.com

If to the City:

Chief Development Officer
City of Houston, Texas
P.O. Box 1562
Houston, Texas 77251-1562

or

Director, Public Works and Engineering Department
City of Houston, Texas
P.O. Box 1562
Houston, Texas 77251-1562

With a copy to:

City Attorney
City of Houston, Texas
900 Bagby, 4th Floor
City Hall Annex
Houston, Texas 77002

Notice shall be deemed to have been received on the date such notice is personally delivered (as evidenced by a signed receipt) or on the date a mailed notice is received as evidenced by the return receipt. Any notice sent by electronic mail shall be deemed to be given when receipt of such transmission is acknowledged. A Party may change its address by written notice in accordance with this Section.

C. Amendments and Waivers. Any provision of this Agreement may be amended or waived if such amendment or waiver is in writing and is approved by the Parties. It is the intent of the Parties that any such amendment may include an alternative more economical and/or expeditious means to construct and/or finance any of the Public Improvements if such an alternative becomes available which would accomplish the purposes of this Agreement. No course of dealing on the part of the District or the City nor any failure or delay by the District or the City with respect to exercising any right, power, or privilege pursuant to this Agreement shall operate as a waiver thereof, except as otherwise provided in this Section.

D. Successors and Assigns. No Party shall have the right to assign its rights under this Agreement or any interest herein without the prior written consent of the other Parties; provided, however, that the foregoing shall not be construed to prohibit the City from causing its obligations hereunder to construct the Public Improvements to be performed by a third party pursuant to a separate agreement with such third party.

E. 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 the 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 among the Parties. 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.

F. Applicable Law. 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. Any actions concerning this Agreement shall be brought in either the State Courts of Harris County, Texas, or the United States District Court for the Southern District of Texas.

G. Invalidity. The essential purpose of this Agreement is to facilitate the financing, design, construction, completion, and delivery of the Public Improvements and the accomplishment of the public purposes and the realization of the public benefits of such project. It is the intent of the Parties that the District shall not be required to use its own funds to pay all or any part of the Public Improvements Costs or its Bonds and that all such costs, within the limits herein set forth, will be borne by the City, as herein provided, and that this Agreement should be liberally construed, without regard to

authorship by any Party, to accomplish such purpose and intent. Accordingly, the Parties acknowledge and agree that:

1. In the event that all or any part of the provisions contained in this Agreement shall ever be finally determined by a court of competent jurisdiction to be invalid or unenforceable in any respect, such invalidity or unenforceability shall not affect any other provision of this Agreement and, to that end, all provisions, covenants, agreements or portions of this Agreement are declared to be severable, and this Agreement shall be applied and interpreted, in the absence of such severed provision(s), to accomplish such purpose and intent.

2. In the event of any such partial or whole invalidity or unenforceability of this Agreement, the Parties agree to promptly and in good faith negotiate, prepare, authorize, execute, and deliver such supplements, reforms, or replacements for such invalid or unenforceable provisions as may be necessary to give effect to the purpose and intent of the Parties, as set forth herein.

3. Notwithstanding the foregoing, nothing herein shall be deemed or construed to obligate the City to make payment to the District in respect of the District's Bonds of an amount in excess of the Annual Payment then due and owing pursuant to this Agreement or the amount of the Maximum Reimbursement Amount.

H. Entire Agreement. This Agreement represents the final agreement among the Parties and may not be contradicted by evidence of prior, contemporaneous, or subsequent oral or written agreements of the Parties, except in accordance with Article VIII.C above.

I. 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 withheld, conditioned, or delayed.

J. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same agreement.

K. Interpretation. This Agreement has been jointly negotiated by the Parties and shall not be construed against a Party because that Party may have primarily assumed responsibility for the drafting of this Agreement.

L. Conflicts with Ordinances. The City and the District agree that, in the event of a conflict between the provisions of this Agreement and any City ordinance, or regulation by any other agency over which the City has control, whether heretofore or hereafter adopted, that would impair the City's obligations under this Agreement, the provisions of this Agreement shall govern. Without limiting the foregoing, the terms and conditions of this Agreement shall control over any conflicting provisions of City Ordinance No. 99-674, which established a separate Chapter 380 program not applicable to this Program and Agreement.

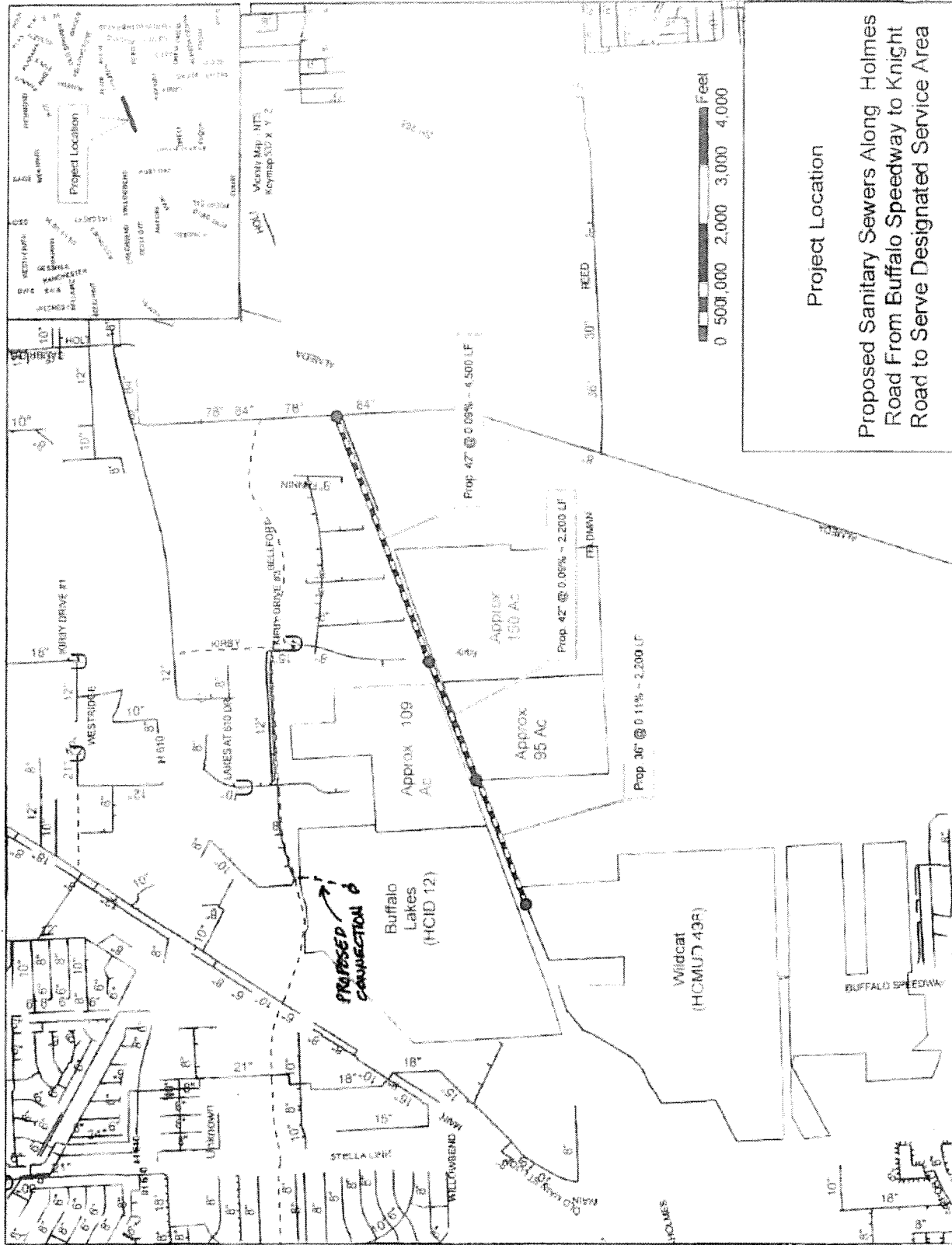
M. Conditions to District Performance. Notwithstanding any provision of this Agreement to the contrary, it is agreed and understood that a condition precedent to the District's performance under this Agreement is the adoption by the City Council of the City of an ordinance authorizing the District to issue Bonds payable from the revenues from the City as provided in this Agreement. If such ordinance is not adopted and effective within sixty (60) days following the Effective Date, the District may terminate this Agreement upon notice given in the manner set forth in Article VIII.B above.

[EXECUTION PAGE FOLLOWS]

IN TESTIMONY OF WHICH this instrument has been executed in multiple counterparts, each of equal dignity and effect, on behalf of the District and the City, effective as of the Effective Date defined herein.

CITY: CITY OF HOUSTON, TEXAS, a Texas home-rule municipal corporation _____ Mayor Date: _____ ATTEST/SEAL: _____ City Secretary Date: _____ COUNTERSIGNED: _____ City Controller Date: _____ APPROVED AS TO FORM: _____ Senior Assistant City Attorney L.D. # 0331400017001	DISTRICT: HARRIS COUNTY IMPROVEMENT DISTRICT NO. 12, a special district created under Chapter 3880, Texas Special District Local Laws Code By: _____ Name: _____ Title: _____ ATTEST: By: _____ Name: _____ Title: _____
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EXHIBIT A
MAP OF PROJECT



Project Location

Proposed Sanitary Sewers Along Holmes Road From Buffalo Speedway to Knight Road to Serve Designated Service Area

EXHIBIT B

LIST OF PUBLIC IMPROVEMENTS

Holmes Road Trunk Sanitary Sewer
Buffalo Speedway to Knight Road

	2014 Cost Estimate	HCID 12**	COH***
Construction	\$ 11,340,680	\$ 5,648,573	\$ 5,692,107
Engineering Design and Survey	\$ 1,202,227	\$ 847,286	\$ 354,941
Design Salary Recovery	\$ 180,373	\$ 120,249	\$ 60,124
SUB-TOTAL Design and Construction	\$ 12,723,280	\$ 6,616,108	\$ 6,107,172
Project Contingency (%5)	\$ 567,034	\$ 282,429	\$ 284,605
Construction Management	\$ 677,829	\$ 451,886	\$ 225,943
Testing Lab	\$ 254,186	\$ 169,457	\$ 84,729
Construction Salary Recovery	\$ 169,457	\$ 112,971	\$ 56,486
Other	\$ 84,729	\$ 56,486	\$ 28,243
Easement/ROW Acquisition	\$ 134,488	\$ 89,659	\$ 44,829
SUB-TOTAL Other Costs	\$ 1,887,722	\$ 1,162,888	\$ 724,835
TOTAL Project Costs	\$ 14,611,003	\$ 7,778,996	\$ 6,832,007

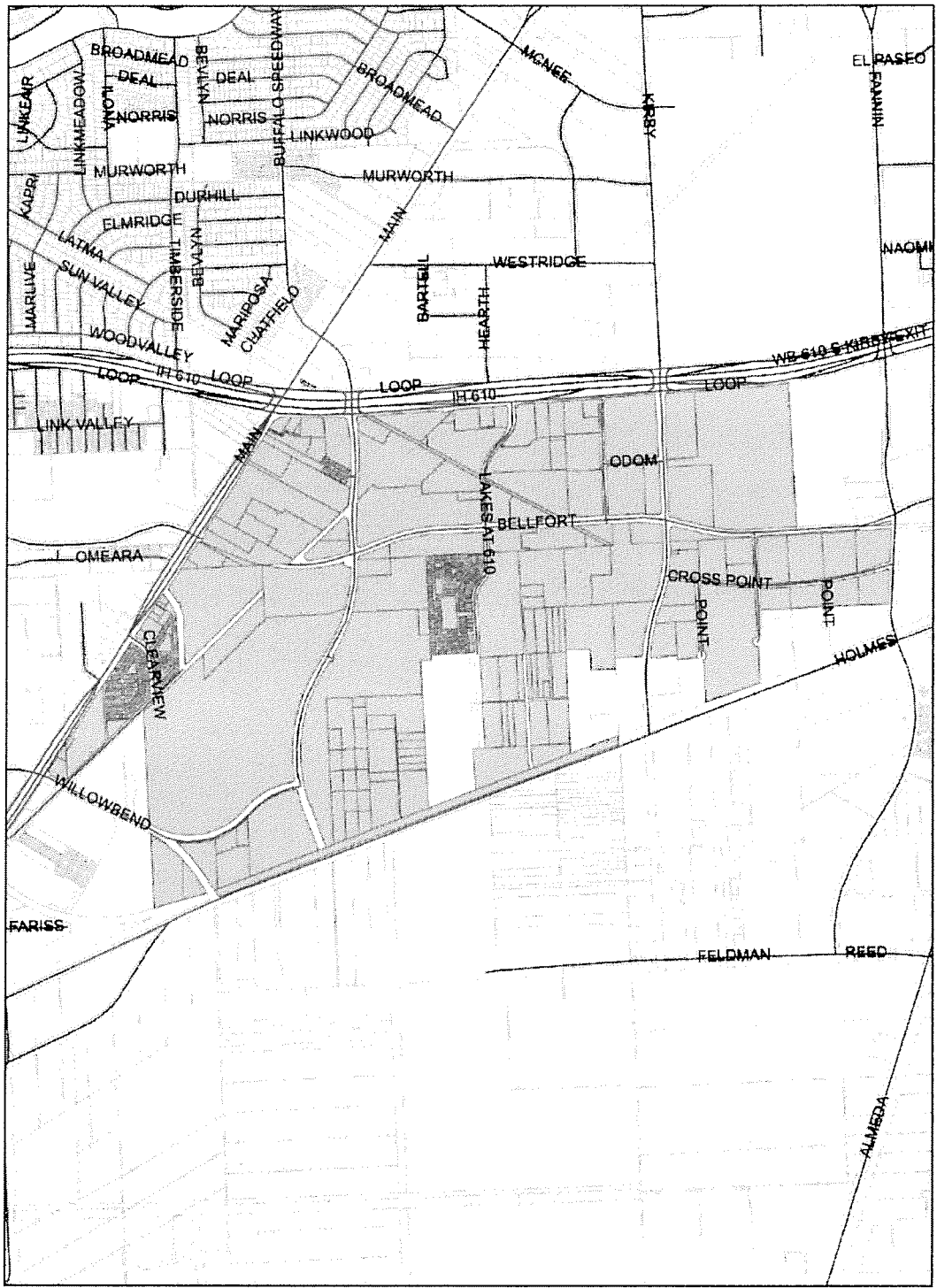
Notes

** Allocated costs for Design and Construction to HCID 12 remain unchanged from prior estimates.

*** COH share includes additional capacity resulting from 42-inch and 48-inch upsizing. Amounts are estimates only. Invoices will be based on bids and true-up on actual expenditures.

EXHIBIT C
ECONOMIC IMPACT AREA

Economic Impact Area: Holmes Road Sewer Line



Legend

- Holmes Road Economic Impact Area
- cohgis.COHGIS.ROADS
- cohgis.COUNTY.APPRAISAL_HCAD_PARCELS_INFO_April2013

