



& breakfast, club or lodge, including various related meeting rooms, recreational facilities, and other ancillary facilities (collectively, the "Venues" and individually, a "Venue"), which Venues will, when operating, be subject to the Hotel Occupancy Tax;

**WHEREAS**, Owners may contract with one or more hospitality and destination marketing firms to promote the Venues that may be an affiliate of an Owner (each ~~(if more than one)~~ is referred to herein as the "Contractor"). Pursuant to the terms of this Agreement, the Owners shall cause the Contractor to be actively engaged in promoting the Venues which will enhance tourism in the Village of Salado, Texas, and the surrounding area (the "Salado Marketing Area"), including promoting travel to the Salado Marketing Area by residents of other areas for conventions and similar events. In addition to assisting the Village in such promotional endeavors, the Owners shall cause the Contractor to also be involved in such promotional activities on Owner's behalf. Contractor's activities are directly compatible with the interests of the Village, and Village desires to provide an incentive for such promotional activities. Accordingly, Owners and Village have agreed that it is in their mutual interests for the Village to make available to Contractor certain portions of the Hotel Occupancy Tax generated solely by the Venues, from time to time, for use by Owners and/or Contractor in specifically promoting the Venues;

**WHEREAS**, the Parties have entered into this Agreement for the purpose of evidencing their respective agreements with respect to the Venues. The Parties concur that inasmuch as Owner and Contractor are private organizations to which the governing body of the Village is delegating the management and/or supervision of only those programs approved in advance by the Village, this Agreement is authorized by Section 351.101(c) of the Texas Tax Code.

**NOW, THEREFORE**, in consideration of the premises noted herein, and for good and valuable consideration provided, the sufficiency of which all Parties hereby acknowledge, Village and Owners have agreed, and do hereby agree, as follows:

## **AGREEMENTS**

### **PURPOSE AND GOALS**

The Village and Owners agree to the following:

1. The purpose of the Program is to increase travel-related taxable sales in the Salado Marketing Area.
2. The Village and Owners agree to share resources and responsibilities to cooperatively market the region's tourism product through this written Agreement.
3. The Village acknowledges and agrees that the Program will directly enhance and promote tourism and the convention and hotel industry within the Village.
4. The goals for the Program are as follows:

- (a) To increase hotel room demand in the Salado Marketing Area
  - (b) To increase the annual hotel and sales tax receipts across the region.
  - (c) To support and enhance group tour visitation throughout the region.
  - (d) To create additional opportunities for the development of multi-day packages for visitors.
5. The target market of this Agreement consists of leisure travelers (families, couples, and empty-nesters) business travelers and the niche markets of heritage enthusiasts, golfers, and shoppers of various types.
6. The Village and Owners will partner together with continual investment and in-kind services in order to accomplish the stated goals and fulfill the recognized purpose. The Village will serve as the Fiscal Agent. Existing and future Visitor Centers located in the Village and Bell County will maintain displays, provide regional visitor information and perform other necessary functions as needed to promote the regional tourism effort.
7. Private sector involvement will be encouraged, pulling representatives from current tourism-related organizations and local businesses. Target markets and marketing campaigns will be determined by an additional agreement between the Village and Owners. Additional marketing materials may be developed in conjunction with any new target marketing campaign

**ARTICLE 1**  
**TERM**

The term of this Agreement shall commence on the opening date that the first Venue is opened to the public by Owners so that Hotel Occupancy Tax is generated pursuant to Texas Tax Code, Chapter 351 ("Opening Date"), and shall continue for a period of 15 calendar years from the Opening Date of the last Venue opened to the public by Owners. However, the Parties acknowledge that the Annual Plan and Budget (hereinafter defined) will be prepared on the basis of a twelve-month "Fiscal Year" (herein so-called) commencing on October 1 and continuing through the following September 30, so as to coincide with the Village's fiscal year and budgeting process. To match up properly with the Fiscal Year basis on which the Annual Plan and Budget is to be administered, in the event that the Opening Date does not occur on October 1, the term of this Agreement shall consist of (i) the partial Fiscal Year beginning on the Opening Date and ending on the next September 30, plus, (ii) the following full Fiscal Years prior to the last calendar year of the term, plus (iii) the partial Fiscal Year beginning on October 1 of the last partial Fiscal Year of the term and continuing through the last day of the term. Each such period shall, for purposes of this Agreement, be referred to herein as a year ("Year"). To the extent that a Year for purposes of this Agreement is less than a full twelve-month Fiscal Year, then adjustments as agreed to by the parties shall be made to reflect the shorter period included in the "Year" in question.

## **ARTICLE 2 RELATIONSHIP**

Contractor will not be the employee or agent of Village, with respect to the matters provided for herein. Contractor shall have no right or power to contract with third parties for, on behalf of, or in the name of Village or to otherwise bind or obligate the Village. Upon identification of the Contractor by Owners, the Contractor, Village, and Owners shall execute an amendment to this Agreement, whereby, the Contractor shall join in the Agreement as a Party hereto for all purposes.

## **ARTICLE 3 SUCCESSORS AND ASSIGNS; ASSIGNABILITY**

3.1 Binding Effect. This Agreement shall be binding upon and inure to the benefit of Owners and the Village and their respective heirs, representatives, successors and permitted assigns.

3.2 Assignment by Owners.

(a) In light of the fact that the exact capital structure of the initial ownership entity for the Venues has not been determined as of the time of entering into this Agreement, it is expressly agreed that the original Owners named herein shall be permitted to assign its rights and obligations under this Agreement to any entity that may be created to be the owner of a Venue in connection with the initial development thereof, provided, however, that in order to derive the benefits provided under this Agreement, such assignee shall develop the Site for use as a hotel and Venue, as noted herein.

(b) Owners shall also have the right, power and authority to assign the rights and duties of the Owners pursuant to this Agreement:

- (i) without the Village's prior consent, to any affiliate of the Owners, or to any entity which the Owners controls or in which any has a controlling interest;
- (ii) without the Village's prior consent to any "Pre-Approved Assignee" (as hereinafter defined) that is or becomes an "Owners" (as defined below) of the Venue; or
- (iii) with the Village's prior written consent, which consent shall not be unreasonably withheld or delayed, to any other person or entity that is or becomes an "owner" of a Venue.

Regardless of whether the Village's consent is required in connection with a particular assignment of this Agreement, in all cases any Owners that makes an assignment hereof shall endeavor in good faith and in the exercise of commercially reasonable effort to assure that any assignee of the rights and obligations of the Owners

hereunder is an entity that (either itself or through association with a sponsorship group and/or professional operator), has access to sufficient financial resources, operational capability, and experience appropriate for the ownership and operation of a project comparable to the Venues.

For purposes of the foregoing, the term "owner" means a person or entity that owns fee title to that portion of the Site on which a Venue is located, or, in the alternative, is the holder of a long-term ground lease, master lease, or other operating agreement with the fee owner of such portions of the Site pursuant to which such person or entity bears a significant portion of the primary financial benefits and burdens of the ownership and operations of a Venue.

For purposes of the foregoing, the term "Pre-Approved Assignee" means any person or entity as to which all of the following are true:

- (i) such person or entity is not then in default or in breach, beyond any applicable grace or cure periods, of its obligations under any material written agreement with the Village, or any division, department, agency or instrumentality thereof;
- (ii) such person or entity is not, directly or indirectly, controlled by or in control of a person or entity that is in default or in breach, beyond any applicable grace or cure periods, of its obligations under any material written agreement with the Village, or any division, department, agency, or instrumentality thereof;
- (iii) neither such person or entity, nor any person or entity that, directly or indirectly, either controls or is controlled by, such person or entity is a person that (x) has been convicted of violation of any statute in any criminal proceeding for a felony or a crime involving moral turpitude, or (y) is an organized crime figure or is reported (based upon reputable media reports) to have substantial business affiliations with an organized crime figure;
- (iv) neither such person or entity, nor any person or entity that, directly or indirectly, either controls or is controlled by, such person or entity, is listed on any list of terrorists or terrorist organization maintained by any federal governmental agency;
- (v) such person or entity is not then subject to an order for relief under the federal bankruptcy act.
- (vi) such person or entity is not one that would cause a Venue to be ineligible to be listed with or to advertise in any official travel publication of the State of Texas that includes general listings or advertisements of hotel/motel properties, including particularly the Texas Accommodations Guide, or its successor publications; and

- (vii) such person or entity is not one that would cause a Venue to be ineligible for membership, in good standing, in the Texas Hotel and Lodging Association, or its successor trade association which serves as the industry's principal trade association in Texas.

(c) Upon any assignment (whether or not the consent of the Village thereto is required, as aforesaid), the assignee and assignor shall execute an assignment and assumption agreement with respect to this Agreement and shall supply a copy thereof to the Village and the Contractor. In connection with any assignment of this Agreement by an Owner, the assignee shall assume all duties and obligations of the Owner arising from and after the date of such assignment, and the assignor shall be released from any liability or obligation arising hereunder from and after such assignment.

### 3.3 Collateral Assignments.

(a) Owners shall be permitted to collaterally assign its respective rights and obligations under this Agreement to the mortgage holder as security for any mortgage loan or similar indebtedness secured by a Venue or direct or indirect interests therein. The Village agrees that it will deliver, concurrently with the delivery of any notice provided to Contractor hereunder, a copy of such notice to any such mortgage holder for which an address for notice has been provided to Village and for which delivery has been specifically requested, in writing, by Contractor and/or Owners. Any such mortgage holder shall have the right, but not the obligation, to cure any default by Owners hereunder on behalf of the Owners, as applicable.

(b) In the event of foreclosure under any such mortgage (or conveyance in lieu thereof), the purchaser at foreclosure (or grantee of the conveyance in lieu of foreclosure) shall succeed automatically to the rights and obligations of Owners, hereunder arising from and after the date of such foreclosure or conveyance in lieu thereof.

(c) Notwithstanding the above, no collateral assignment of the rights and obligations under this Agreement by Owners shall result in any portion of Hotel Occupancy Tax being used by any entity, including any mortgagor, or mortgagee or assignee, for any purpose other than for the provision of administrative costs as permitted by law and/or for the provision of services related to Statutorily Authorized Promotional Programs ("SAPPs") (as defined herein) and as approved by the Village.

3.4 Estoppel Certificates. Each Party shall, within 20 business days after the request of any other Party, issue an estoppel certificate addressed to one or more of the Parties, and/or to any mortgagee, proposed mortgagee, investor, proposed investor, or other person or entity having legitimate business reasons for the requested confirmations, confirming (to the extent then true-or, if all or any of such requested confirmations are not true, then stating the basis on which the Party issuing the certificate believes that the requested confirmation is not true), (i) that this Agreement is in full force and effect (and attaching a true and correct copy of the Agreement), (ii) that this Agreement has not been amended or modified, (iii) that the Annual Plan and

Budget for a particular Year has been approved by the Village (and attaching a copy of the approved Annual Plan and Budget to the certificate), (iv) that no notice of default has been given by any Party, and (v) such other information as may reasonably be requested by the requesting Party. Any such estoppel certificate may be relied upon by the requesting Party and any other person or entity to which it may be addressed or as to which reliance is contemplated therein. The reasonable out-of-pocket costs and expenses of a Party in responding to a request for an estoppel certificate shall be borne and paid by the party requesting such certificate upon invoice and reasonable substantiation of the costs and expenses in question.

#### **ARTICLE 4 ADMINISTRATIVE COSTS**

Pursuant to Section 351.005 of the Texas Tax Code, the Village agrees that Owners shall be permitted to retain, out of amounts collected by Owners pursuant to Owners' responsibility to collect Hotel Occupancy Tax, the maximum amount permitted from time to time by applicable law to be retained by Owners as reimbursement for costs associated with the collection of the Hotel Occupancy Tax ("Tax Collection Expenses"). The parties acknowledge that, at the time of entering into the Agreement, the Tax Collection Expense amount is One Percent (1.00%) of the amount of the Hotel Occupancy Tax collected by Owners, as provided in Texas Tax Code Section 351.005. Reimbursement provided under Article 4 of this Agreement shall be forfeited by Owners for failure of Owners to pay Hotel Occupancy Tax.

#### **ARTICLE 5 DISTRIBUTION OF HOTEL OCCUPANCY TAX**

5.1 Contract for Promotional Services. Pursuant to Section 351.101(c) of Texas Tax Code, Village hereby contracts with a private entity/organization, which is identified by Owners as the Contractor, on the terms and conditions hereinafter set forth, for the management and supervision of certain promotional services, programs and activities that are eligible to be funded with revenue derived by Village from (collectively "Statutorily Authorized Promotional Programs" or "SAPP(s)"). Statutorily Authorized Promotional Programs shall be specifically limited to those approved under the Texas Tax Code Chapter 351, Subchapter B and as amended by the legislature during the term of this Agreement, including, by way of example, advertising, solicitation, and promotional programs promoting visitor attractions, the arts, points of interest, entertainment opportunities, recreational facilities, and historical sites to attract tourists and convention delegates or registrants to the Salado Marketing Area and the Village of Salado. All Hotel Occupancy Tax revenue expended by the Contractor pursuant to this Agreement shall directly enhance and promote tourism and convention attendance in the Salado Marketing Area and the Village.

Contractor and Owners recognize the intent and desire of the Village to establish and enhance a "brand identity" for the Village and the Salado Marketing Area. Contractor and/or Owners shall engage the services of a marketing consultant to assist Contractor and Owners in connection with the preparation of the initial plans for SAPPs so as to be compatible with and to enhance the "branding" efforts for the Salado Marketing Area and the Village. Further, Contractor shall assist the Village in developing strategies for coordinating the Village's marketing efforts with the Owners' marketing programs, so that the Village's marketing efforts

may be enhanced and maximized, to an extent reasonably possible.

In addition, at such time as the operator or management company for a Venue has been identified and engaged by Owners, Owners will make appropriate introductions of the management and marketing personnel of the operator (both those personnel engaged to work directly at a Venue, as well as their regional or other appropriate supervisors) to appropriate personnel at the Village, as well as any local chamber of commerce, development authority, or other such public or quasi-public entities that may be engaged in the marketing of the Village of Salado or other parts of the Salado Marketing Area, with the intention of facilitating cooperative marketing efforts and activities beyond the matters specifically covered by this Agreement.

Sub-grants by Contractor shall be allowed without the Village's prior written approval. Sub-grantees shall be required to comply fully with all applicable laws and with all applicable terms of this Agreement. Nothing in the foregoing shall be construed to prohibit Contractor from obtaining the assistance and cooperation of a Venue's operator or management company, or other independent contractors and consultants engaged from time to time by Contractor, with respect to the conduct of Contractor's duties and obligations hereunder, but Contractor shall remain solely responsible for all such duties and obligations.

5.2 Amount. Subject to the terms and conditions hereinafter stated, for a period of fifteen (15) Years from the Opening Date of each Venue, the Village agrees to reserve or make available to Contractor, from time to time as detailed herein, an amount equal to the Specified Percentages (as indicated below in Section 5.3) of the actual amount paid to the Village in Hotel Occupancy Tax for the Year in question, to be utilized by Contractor solely for payment of costs and expenses associated with SAPPs.

5.3 Schedule of Participation by Village in Hotel Occupancy Tax Promotional Services. All portions of the Hotel Occupancy Tax made available to Contractor for the contract Year in question shall be utilized by Contractor solely for payment of costs and expenses associated with SAPPs. The "Specified Percentage" of the Hotel Occupancy Tax to be made available to Contractor for each Year shall be as shown in the table below:

| <b>Year of Term</b> | <b>Specified Percentage of Hotel Occupancy Tax</b> |
|---------------------|--|
| All Years           | 50.00%   |

5.4 Reserves. For purposes of this Agreement, the term "Reserves" is defined to mean that portion of the Hotel Occupancy Tax funds generated and remitted by Owners to the Village and available to the Contractor for the Year in question (i.e. the Specified Percentage) that exceed Contractor's expenditures for the Year in question, which expenditures are related solely to costs and expenses for budgeted and approved SAPPs for the Year in question. By way of example only, Reserves may result from circumstances in which: (1) the dollar amount of the Specified Percentage of Hotel Occupancy Tax for the Year exceeds amounts budgeted and/or subsequently approved costs and expenses related to the Year's SAPPs; or (2) amounts of Hotel Occupancy Tax allocated and budgeted for SAPPs for use by Contractor for a particular Year are, for whatever reason, not used by Contractor during the Year of allocation, as originally

anticipated, budgeted and approved. So long as this Agreement remains in effect, "Reserves" may be utilized by the Contractor in subsequent Years in respect of approved SAPPs for such Year (and, to the extent that Reserves exist, Contractor may take the available Reserves into account in proposing the Annual Plan and Budget for the following Year). Reserves may not be expended by the Village for any other purpose, but rather shall be held for future expenditures by Contractor hereunder. Nothing herein shall be deemed to prohibit Contractor from proposing a mid-Year amendment to the Annual Plan and Budget in the event that the amount of Hotel Occupancy Tax is materially more than was anticipated, so as to reduce the amount of Reserves that would otherwise build up for expenditure in subsequent Years, but no such amendment shall be effective unless and until approved as provided for in Article 6 below.

In the event this Agreement is terminated by either Party pursuant to the terms of this Agreement, or in the event that the Agreement expires by its own terms, and, at the time of such termination or expiration, unspent Reserves exist, then the Reserves shall be made available to Contractor pursuant to a "Reserve Plan and Budget" approved by the Village specifically for the expenditure by Contractor of Reserves for SAPP related costs and expenses during the twelve (12) months immediately following such expiration or termination (or if later, the twelve (12) months immediately following approval of the Reserve Plan and Budget by the Village). In the event that the amount of Reserves is sufficiently large as to preclude it being efficiently expended for SAPPs during a twelve (12) month period, then by mutual agreement the period covered by the Reserve Plan and Budget may be applicable for a longer period (but in no event to exceed twenty-four (24) months). Contractor agrees that all such Reserves shall be spent according to the approved Reserve Plan and Budget within such twelve (12) months (or longer period as may be covered by the Reserve Plan and Budget, if applicable). Any Reserves which remain unspent by Contractor after such twelve (12) month period (or longer period as may be covered by the Reserve Plan and Budget, if applicable) shall be promptly remitted to the Village by Contractor with no further action or request required by the Village.

## **ARTICLE 6 ANNUAL PLAN AND BUDGET**

6.1 Preparation of Proposed Annual Plan and Budget. The Contractor shall prepare and submit to Village a proposed Annual Plan and Budget for the forthcoming Fiscal Year (including, if applicable, any Year at the beginning or end of the term that is less than a full Fiscal Year) on an annual basis. The proposed Annual Plan and Budget shall be submitted to the Village no later than the July 1 immediately prior to commencement of the Fiscal Year in question so as to permit appropriate review and evaluation prior to the commencement of the Fiscal Year covered thereby; provided that the proposed Annual Plan and Budget for any partial Fiscal Year at the beginning of the term shall be submitted to the Village not later than ninety (90) days prior to the anticipated Opening Date. The proposed Annual Plan and Budget shall include, at a minimum:

- (a) A narrative description of the various programs and activities which Contractor proposes to carry out during the Year in question pursuant to this Agreement, which description shall include, without limitation, an explanation of the basis on which each such proposed program or activity qualifies as a SAPP for purposes of this Agreement and the basis on which such programs and activities are compatible with and enhance

the "branding" efforts discussed in Section 5.1 hereof.

A budget indicating how much of the Hotel Occupancy Tax available to Contractor hereunder (including Reserves from prior Years, if applicable) that Contractor proposes to spend on each particular SAPP for the Year in question.

(b) A statement of the amount of Hotel Occupancy Tax that Contractor expects to be paid to the Village during the Year in question, based on Contractor's understanding of Owner's anticipated operations for the Year in question.

An Annual Plan and Budget may include funds to reimburse Contractor during the Fiscal Year in question for funds advanced by or on behalf of Contractor in prior periods to carry out SAPPs; for example, subject to compliance with state laws and prior Village approval, it may be appropriate for Contractor to prepare, print, and/or distribute brochures and materials for SAPPs prior to conducting actual events, the expenses for which could (subject to compliance with other applicable requirements hereof) be reimbursed to Contractor after Hotel Occupancy Tax is generated to cover such costs, if Contractor properly complies with the Annual Budget requirements related to such expenses, and the Village subsequently officially acts to approve an Annual Plan or Budget allowing reimbursement of same pursuant to law.

6.2 Approval of Annual Plan and Budget. Village shall approve or disapprove the Annual Plan and Budget submitted by the Contractor prior to the commencement of the Fiscal Year (or partial Fiscal Year) to which it relates. Village shall have and maintain the right to approve, disapprove and request modifications to the Annual Plan and Budget, including specifically the right to participate in decisions related to the SAPPs' content as it relates to the Village. The Village's approval shall not be unreasonably withheld, conditioned, or delayed.

6.3 Alternatives. If desired, Contractor may request that Village approve one or more alternative programs in the overall Annual Plan and Budget for a particular Year, so long as all applicable alternatives are in fact SAPPs. By way of example, the Annual Plan and Budget could include a specific amount to be utilized for either of two designated SAPPs, with the final decision on which program to implement to be made by Contractor later in the Year based on events and circumstances.

6.4 Effect of Non-Approval. Upon approval by the Village of the proposed Annual Plan and Budget for the Year, the proposed Annual Plan and budget shall then become the official Annual Plan and Budget for the Year in question. In the event that an Annual Plan and Budget has not been approved by the beginning of a particular Year, then the Annual Plan and Budget for the prior Year shall be deemed renewed and extended and shall be in effect until an Annual Plan and Budget for the Year in question is approved. Parties agree and acknowledge that they have a duty to act in good faith to work diligently toward developing an acceptable Annual Plan and Budget for each Year the Agreement is in effect.

## **ARTICLE 7 OPERATIONS**

7.1 Annual Plan and Budget as Control. Contractor is authorized to carry out all or any SAPPs included in the Annual Plan and Budget for the Year in question, and to pay and/or reimburse itself and/or Owners for the costs thereof (subject to the Village approved Annual Plan and Budget) from Hotel Occupancy Tax revenues made available to Contractor hereunder (including Reserves from prior Years, if provided for in the approved Annual Plan and Budget). Further, to the extent of funds available to Contractor therefrom (i.e. amounts of Hotel Occupancy Tax made available to Contractor pursuant to this Agreement in respect of such Year), Contractor shall use commercially reasonable efforts to carry out the various programs and activities provided for in the Annual Plan and Budget. Contractor acknowledges that, pursuant to the terms of this Agreement and Section 351.101 (c) of the Texas Tax Code, Contractor has a fiduciary duty to the Village with respect to its handling and use of the Hotel Occupancy Tax provided to Contractor under this Agreement. Further, Contractor acknowledges and agrees that under no circumstances shall Contractor have any right to receive or utilize any Hotel Occupancy Tax revenue not generated directly by the Venue.

7.2 Permitted Limited Reallocations. The Village recognizes that the tourism and travel industry is a dynamic one, and that prudence dictates that Contractor retain the ability to make certain minimal adjustments from time to time within the confines of the Annual Plan and Budget or Reserve Plan and Budget. Accordingly, Village agrees that Contractor may, in its professional judgment and mindful of its fiduciary responsibility to the Village: (i) reduce expenditures below the level approved in the Annual Plan and Budget or Reserve Plan and Budget for all or any particular categories as Contractor deems appropriate in the event actual Hotel Occupancy Tax revenues do not meet expectations, (ii) reallocate up to Twenty-Five Percent (25.00%) of the amount in any category in the Annual Plan and Budget or Reserve Plan and Budget to another category, so as to allow a reasonable shift in emphasis as the Year develops, and (iii) allocate any amount included in a "contingency" category in the Annual Plan and Budget or Reserve Plan and Budget to any other approved category. However, Contractor acknowledges and agrees that no Hotel Occupancy Tax funds may be allocated or used for any activity or program that was not approved by the Village as a SAPP in the Annual Plan and Budget for the Year or in the Reserve Plan and Budget.

7.3 Annual Plan and Budget Amendments. Should the provisions of Section 7.2 above be determined by Contractor to provide insufficient flexibility to address applicable facts and circumstances as they develop during a Year, Contractor may, at any time, propose and request Village's approval of an amendment to the approved Annual Plan and Budget or Reserve Plan and Budget for the Year in question. No such amendment shall be effective until approved by the Village Board of Aldermen, which approval by the Village Board of Aldermen shall not be unreasonably withheld, conditioned, or delayed.

## **ARTICLE 8 PAYMENTS**

8.1 Payments of Hotel Occupancy Tax to Contractor/Annual Reconciliation. On a monthly basis, the Village shall pay Contractor pursuant to this Agreement an amount equal to the lesser

of: (i) an amount determined by multiplying the Specified Percentage by the actual amount of Hotel Occupancy Tax paid by Owners during the Year to date, less amounts previously paid to the Contractor by the Village during such Year, or (ii) an amount equal to one-twelfth of the approved Annual Plan and Budget amount for the Year in question multiplied by the number of months elapsed to date in such Year, less amounts previously paid to Contractor during such Year. At the end of each Year of the Agreement, the Village will compare the total amount of Hotel Occupancy Tax funds expended by Contractor to the total amount of Hotel Occupancy Tax funds disbursed to Contractor by the Village for expenditure by the Contractor on SAPPs and, if all Hotel Occupancy Tax funds allocated to the Contractor by the Village for that Year were not spent by the Contractor in the Year in question (that is to say, if Reserves were created during the Year in question), the Reserves so created shall be addressed as provided in Section 5.4 above.

8.2 Separate Account. All Hotel Occupancy Tax revenue provided to Contractor by the Village pursuant to this Agreement shall be maintained by Contractor in a separate bank account (the "Hotel Occupancy Tax Account") and shall be used by Contractor solely for purposes of this Agreement. Funds in the Hotel Occupancy Tax Account shall not be commingled with any other funds. Amounts in the Hotel Occupancy Tax Account shall be expended by Contractor solely to cover the costs of carrying out SAPPs that are included in the Annual Plan and Budget for the Year or as approved in a Reserve Plan and Budget. Further, except as otherwise specified in Sections 7.2 or 7.3 above, with respect to particular reallocations, no amount in the Hotel Occupancy Tax Account shall be advanced or expended if it would result in amounts expended from the Hotel Occupancy Tax Account related to a particular SAPP exceeding the amount allocated to such SAPP in the Annual Plan and Budget or the Reserve Plan and Budget.

## **ARTICLE 9 REPORTS**

9.1 Books and Records. Contractor shall maintain (or cause to be maintained) current and complete books and records reflecting expenditures of funds from the Hotel Occupancy Tax Account in accordance with applicable law and prudent accounting procedures. Further, such book and records shall be made available to the Village for inspection during normal business hours upon reasonable advance notice. The Contractor acknowledges that all records related to the Hotel Occupancy Tax Account, the Annual Plan and Budget, or the Reserve Plan and Budget and all other activities undertaken by Contractor pursuant to this Agreement are public records which fall within the provisions of the Texas Government Code, Section 572.001, *et seq.*, and Contractor shall cooperate fully with the Village in timely producing all such records in response to any public request for same.

9.2 Quarterly Report. By the thirtieth (30th) day following the end of each quarterly period of each Year, Contractor shall deliver a report on all SAPPs undertaken by Contractor during the preceding quarter of the Year, which report shall, at a minimum:

- (a) Contain such information and schedules as may then be required by applicable law (including Section 351.101(e) of the Texas Tax Code).

(b) Reflect the actual Hotel Occupancy Tax revenues provided to Contractor by the Village pursuant to this Agreement in the preceding Year.

(c) Reflect all expenditures from the Hotel Occupancy Tax Account for such Year, allocated by categories in according with the Annual Plan and Budget for the Year in question.

(d) Indicate and provide a detailed written explanation of any discrepancies between the actual expenditures from the Hotel Occupancy Tax Account and the anticipated expenditures provided for in the Annual Plan and Budget and/or the Reserve Plan and Budget.

## **ARTICLE 10 THE VILLAGE'S RIGHT TO AUDIT**

10.1 Audit Right. Village reserves the right for the Village's internal audit department personnel, or an independent certified public accounting firm selected by the Village, to conduct examinations, during normal business hours, of the books and records maintained by Contractor with respect to the Hotel Occupancy Tax Account, which books and records shall be made available to the Village at the Venue upon reasonable notice for the Village's inspection and audit.

10.2 Costs. Any and all such audits conducted either by the Village's internal audit department personnel or an independent certified public accounting firm will be at the sole expense of the Village, unless such audit indicates fraud or neglect by Contractor in its record keeping.

## **ARTICLE 11 TERMINATION**

11.1 General. Except as provided in this Article 11 or in Section 3.3 hereof, if applicable, this Agreement may not be terminated by either Party hereto.

11.2 Owners Default. The Village may terminate this Agreement by furnishing written notice to Owners if at any time during the term of this Agreement Owners fails to perform any of its obligations hereunder and such failure to perform such covenant continues for thirty (30) days after written notice given by the Village to Owners, provided that if such failure cannot reasonably be cured within such thirty (30) day period then Owners shall not be in default hereunder and Village shall not have the right to terminate this Agreement unless and until Owners fails to commence curing such failure within such thirty (30) day period and prosecute such cure to completion with diligence.

11.3 Contractor Default. The Village may terminate this Agreement by furnishing written notice to Contractor if at any time during the term of this Agreement Contractor fails to perform any of its obligations hereunder and such failure to perform such covenant continues for thirty (30) days after written notice given by the Village to Contractor, provided that if such failure cannot reasonably be cured within such thirty (30) day period then Contractor shall not be in

default hereunder and the Village shall not have the right to terminate this Agreement unless and until Contractor fails to commence curing such failure within such thirty (30) day period and prosecute such cure to completion with diligence.

11.4 Owners Cure Rights. If the Village gives Contractor any notice of default pursuant to Section 11.3 above, the Village shall deliver a copy of such notice simultaneously to Contractor and Owners and, in addition to Contractor, the Owners shall have the right to cure any such default on behalf of Contractor during the applicable cure period.

## **ARTICLE 12 CONSENTS**

Except as otherwise expressly provided herein, whenever in this Agreement the consent or approval of the Village, Owners or Contractor is required, such consent or approval shall not be unreasonably withheld, conditioned, or delayed. Such consent shall also be in writing only and shall be duly executed by an authorized officer or agent for the Party granting such consent or approval.

## **ARTICLE 13 NOTICES**

Any notice given under this Agreement must be in writing and may be given: (i) by depositing it with Federal Express or another delivery service guaranteeing "next day delivery", addressed to the Party to be notified and with all charges prepaid; or (ii) by personally delivering it to the Party, or any agent of the Party listed in this Agreement. Notice given in any manner will be effective when received. For purposes of notice, the addresses of the Parties will, until changed as provided below, be as follows:

|                      |  |
|----------------------|--|
| <b>Salado:</b>       | Village of Salado<br>Attention: Village Administrator<br>P.O. Box 219<br>Salado, Texas 76571<br>Email: <a href="mailto:vos@saladotx.gov">vos@saladotx.gov</a>  |
| <b>with copy to:</b> | Bojorquez Law Firm, PLLC<br>Attention: Alan J. Bojorquez<br>12325 Hymeadow Dr., Ste. 2-100<br>Austin, Texas 78750<br>Fax: (512)250-0749<br>Email: <a href="mailto:alan@texasmunicipallawyers.com">alan@texasmunicipallawyers.com</a> |
| <b>Owners:</b>       | Sanctuary Development Company, LLC<br>Manager for Owners<br>1101 S. Bryant Blvd.<br>San Angelo, Texas 76903<br>325-655-4433  |

**with copy to:** Jeffrey S. Howard  
McLean & Howard, LLP  
901 S. Mopac Expressway, Suite 2-225  
Austin, Texas 78746  
Email: [jhoward@mcleanhowardlaw.com](mailto:jhoward@mcleanhowardlaw.com)

The Parties may change their respective addresses to any other address within the United States of America by giving at least five (5) days' written notice to the other Parties. Any Party may, by giving at least five (5) days' written notice, designate additional parties to receive copies of notices under this Agreement.

#### **ARTICLE 14 MISCELLANEOUS**

14.1 No Liability of Village Personnel. The Village, Owner and Contractor agree that no provision of this Agreement is intended to or shall be interpreted to negate or diminish any statutory or common law rights the Village may have to immunity or that Owner or Contractor may have under the laws of the State of Texas. Further, with respect to any breach of contract claim that the Village has violated the terms of this Agreement, Owner and Contractor agree that they may assert claims only against the assets of the Village and that under no circumstances shall any officer or employee of Village be personally liable for any of the obligations of the Village under this Agreement, Notwithstanding the foregoing, the Village hereby acknowledges and agrees that (i) this Agreement is a written contract for services to the Village and is subject to *Subchapter I of Chapter 271 of the Texas Local Government Code*, and (ii) this Agreement may be enforced by *writ of mandamus*.

14.2 INDEMNIFICATION. CONTRACTOR AGREES TO INDEMNIFY, SAVE AND HOLD HARMLESS VILLAGE, ITS ELECTED OFFICIALS AND EMPLOYEES OF AND FROM ANY AND ALL PRESENT OR FUTURE CLAIMS, DEMANDS OR CAUSES OF ACTION THAT MAY ACCRUE ON ACCOUNT OF, OR IN ANY WAY ARISING OUT OF, CONTRACTOR'S WRONGFUL ACTS AND/OR OMISSIONS THAT ARE A DEFAULT UNDER THIS AGREEMENT AND/OR CONTRACTOR'S WRONGFUL MISUSE OF HOTEL OCCUPANCY TAX REVENUE AND/OR WRONGFUL MISMANAGEMENT OF SUCH REVENUES, AS PER THIS AGREEMENT.

14.3 Fidelity Bond. Throughout the term Contractor shall maintain a fidelity bond in customary commercial form in an amount at least equal to the anticipated amount of Hotel Occupancy Tax to be handled by Contractor during the applicable Year, covering any employees, agents, or officers of Contractor having access to the Hotel Occupancy Tax and/or the Hotel Occupancy Tax Account. Contractor shall periodically, and at any time upon Village's request, provide evidence to Village that such fidelity bond is in effect. Notwithstanding the foregoing, however, in lieu of such fidelity bond the Contractor may instead provide the Village with a guarantee from the Owner, or from another financially responsible guarantor reasonably satisfactory to the Village, guaranteeing repayment to Contractor of any amounts of Hotel Occupancy Tax that would have been recoverable by Contractor under a commercially customary fidelity bond if such bond had been in effect. The costs of such fidelity bond or other guarantee may be included in the costs for providing the

promotional services set forth in Article V above.

14.4 Gender. The pronouns used in this Agreement referring to the Village, Owner or Contractor shall be understood and construed to apply whether the Village, Owner or Contractor be an individual, co-partnership, limited liability company, corporation or an individual or individuals doing business under a firm or trade name, and the masculine and neuter pronouns shall each include the other and may be used interchangeably with the same meaning.

14.5 Amendments. This Agreement may be amended only by a written instrument so stating which is executed by the Parties hereto.

14.6 Severability. If any provision of this Agreement shall be invalid or unenforceable for any reason and to any extent, the remainder of this Agreement shall not be affected thereby, but shall be enforced to the greatest extent permitted by law.

14.7 Headings. All headings herein are inserted only for convenience and ease of reference and are not to be considered in the construction or interpretation of any provision of this Agreement.

14.8 Waivers. No failure or delay of a Party in the exercise of any right given to such Party hereunder or by Law shall constitute a waiver thereof, nor shall any single or partial exercise of any such right preclude other further exercise thereof or of any other right. The waiver by a Party of any breach of any provision hereof shall not be deemed to be a waiver of any subsequent breach thereof or of any breach of any other provision hereof.

14.9 Governing Law. This Agreement shall be construed, interpreted and applied in accordance with and shall be governed by, the laws applicable to the State of Texas.

14.10 Authority. The person executing this Agreement on behalf of Owners and the Village each represents that he/she has the power and authority to do so and to bind his/her principal to the terms of this Agreement.

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

14.12 Special Relationship between Owner and Contractor.

(a) Owner, the Village and Contractor acknowledge that this Agreement is being entered into at the request of Owner and is made, in substantial part, to encourage the development by Owner of the Venue. Contractor, a private entity/organization, is an affiliate of Owner, and as a result of such affiliation, Owner will derive direct and indirect benefits here from.

(b) The foregoing rights of Owners shall run with the Site and may be exercised by any Owners.

14.3 Future Phase. The Village further agrees that in the future, after (i) development of Phase One of the Project's proposed Entertainment District (as those terms are defined in the Development Agreement) to be located on the south side of FM 2268, and (ii) the applicable Owners are ready to proceed with a potential Phase Two of the Entertainment District, consisting of an approximately 1,800 to 2,500 seat additional music venue and multi-story parking garage, the Village shall look favorably in good faith on extending the existing economic incentives described in this Agreement in support of such major additional investment by Owners. Nothing in this Section 14.3 shall obligate the Village enter into any agreement extending the existing economic incentives in this Agreement to such future phase.

*(Signature page to follow)*

IN WITNESS WHEREOF, the Parties hereto have executed as of the respective dates set forth below to be effective as of the Effective Date for all intents and purposes. EXECUTED on this 25<sup>th</sup> day of November, 2015.

ATTEST:

VILLAGE OF SALADO TEXAS,  
a Type A general law municipality of the  
State of Texas

Mary Ann Key

Village Secretary

By: Skip Blancett

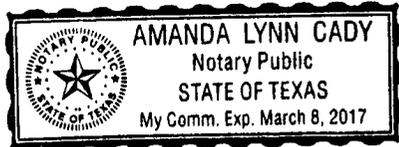
Name: Skip BLANCETT, Mayor

Title: 25 Nov 15

Date: 25 November 2015

THE STATE OF TEXAS           §  
  §  
COUNTY OF BELL               §

This instrument was acknowledged before me on the 25<sup>th</sup> day of November, 2015, by Skip Blancett, Mayor of the Village of Salado, a Texas general law municipality, on behalf of said municipality.

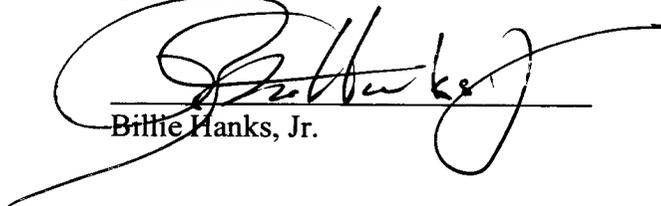


(SEAL)

Amanda Lynn Cady  
Notary Public, State of Texas

EXECUTED on this 25 day of November, 2015.

OWNERS:

  
\_\_\_\_\_  
Billie Hanks, Jr.

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL           §

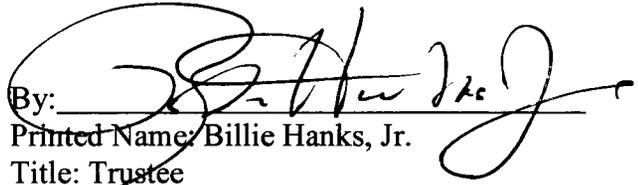
This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr.



(SEAL)

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

HANKS-CABINESS TRUST

By:   
Printed Name: Billie Hanks, Jr.  
Title: Trustee

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL §

This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., Trustee of the HANKS-CABINESS TRUST.



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

BHHC CHRISTIAN DEVELOPMENT, LLC,  
a Texas limited liability company

By: [Signature]  
Printed Name: Billie Hanks, Jr.  
Title: President

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL §

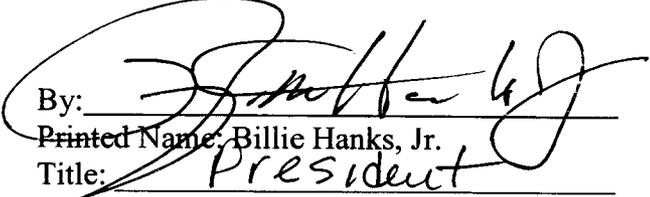
This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as President, of BHHC CHRISTIAN DEVELOPMENT, LLC, a Texas limited liability company, on behalf of said entity.



[Signature]  
Notary Public, State of Texas

(SEAL)

BHHC CHRISTIAN DEVELOPMENT I, LLC,  
a Texas limited liability company

By: 

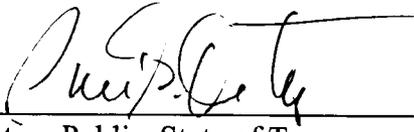
Printed Name: Billie Hanks, Jr.

Title: President

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL         §

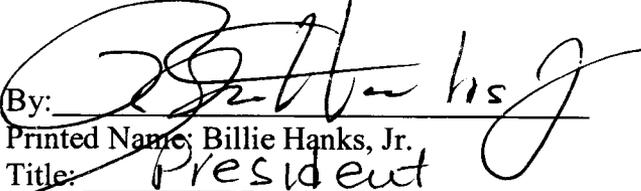
This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as President, of BHHC CHRISTIAN DEVELOPMENT I, LLC, a Texas limited liability company, on behalf of said entity.



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

(SEAL)

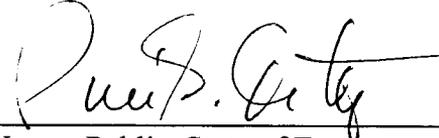
BHHC CHRISTIAN DEVELOPMENT II, LLC,  
a Texas limited liability company

By:   
Printed Name: Billie Hanks, Jr.  
Title: President

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL         §

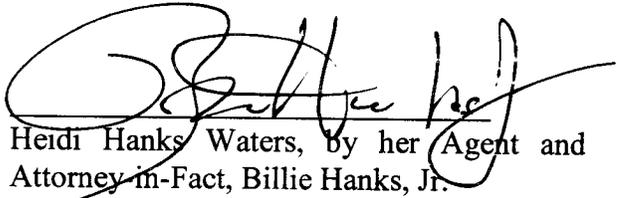
This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as President, of BHHC CHRISTIAN DEVELOPMENT II, LLC, a Texas limited liability company, on behalf of said entity.



  
Notary Public, State of Texas

(SEAL)

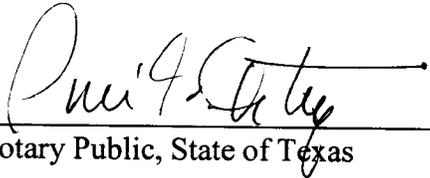


  
Heidi Hanks Waters, by her Agent and  
Attorney-in-Fact, Billie Hanks, Jr.

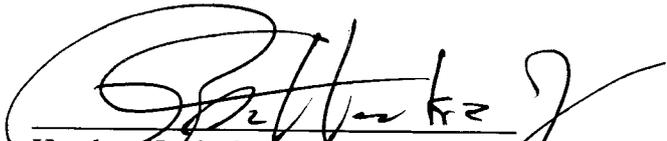
THE STATE OF TEXAS   §  
  §  
COUNTY OF BELL       §

This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as Agent and Attorney-in-Fact for Heidi Hanks Waters.



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

(SEAL)

  
Heather Hanks McGready, by her Agent and  
Attorney-in-Fact, Billie Hanks, Jr.

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL           §

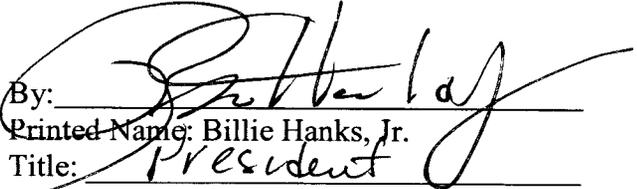
This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as Agent and Attorney-in-Fact for Heather Hanks McGready.



  
Notary Public, State of Texas

(SEAL)

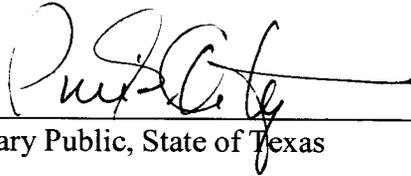
OLD WORLD BBD, INC.,  
a Texas corporation

By:   
Printed Name: Billie Hanks, Jr.  
Title: President

THE STATE OF TEXAS §  
  §  
COUNTY OF BELL §

This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as President, of OLD WORLD BBD, INC., a Texas corporation, on behalf of said entity.



  
Notary Public, State of Texas

(SEAL)

SANCTUARY SALADO INVESTMENT II, LLC,  
a Texas limited liability company

By:   
Printed Name: Billie Hanks, Jr.  
Title: President

THE STATE OF TEXAS   §  
  §  
COUNTY OF BELL       §

This instrument was acknowledged before me on the 25 day of November, 2015, by Billie Hanks, Jr., as President, of SANCTUARY SALADO INVESTMENT II, LLC, a Texas limited liability company, on behalf of said entity.

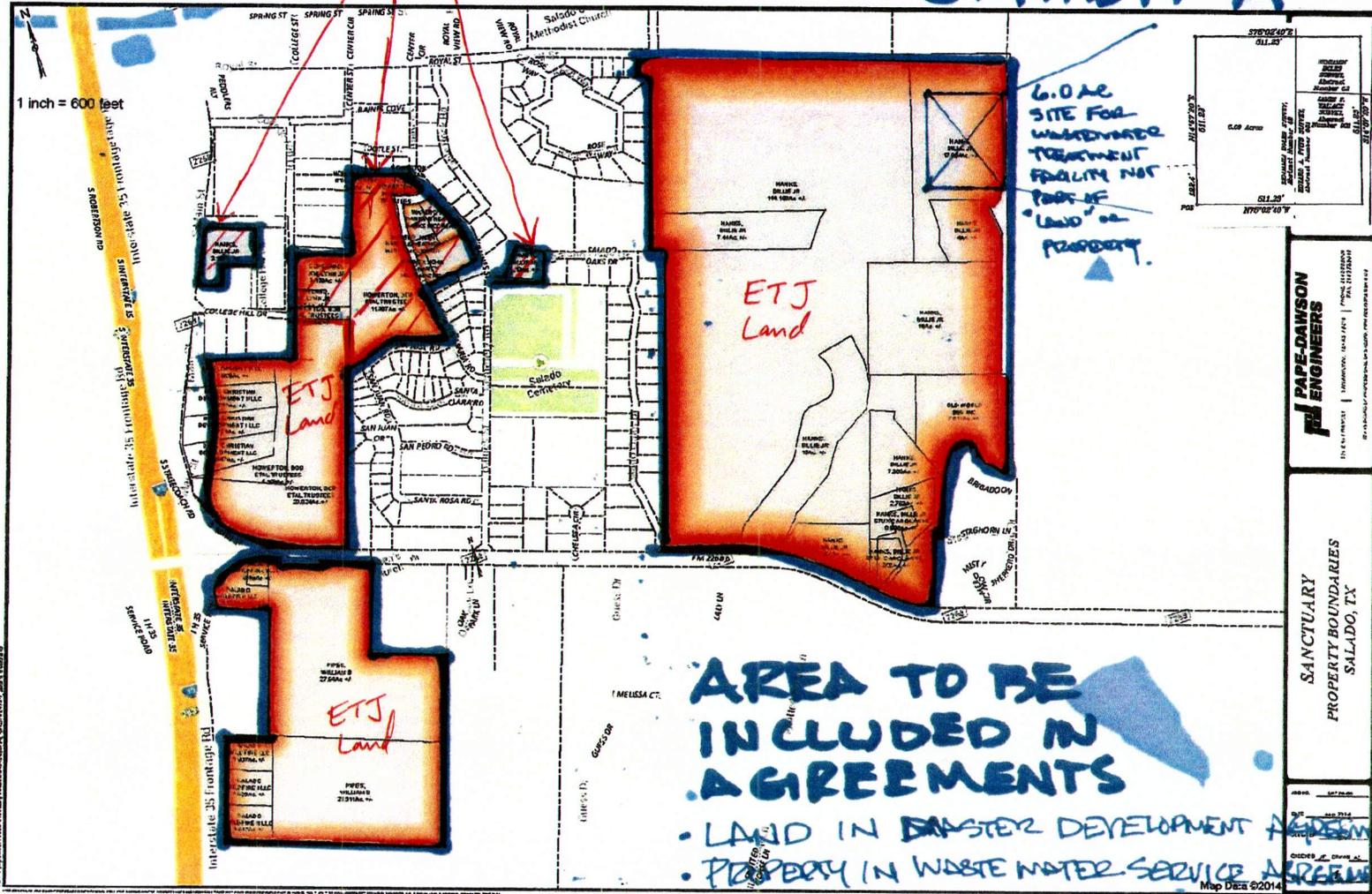


  
Notary Public, State of Texas

(SEAL)

Village Limits Land

# EXHIBIT A



1 inch = 600 feet

6.0 AC SITE FOR WASTEWATER TREATMENT FACILITY NOT PART OF LAND OR PROPERTY

## AREA TO BE INCLUDED IN AGREEMENTS

- LAND IN DAMSTER DEVELOPMENT AGREEMENT
- PROPERTY IN WASTE WATER SERVICE AGREEMENT

**PAPE-DAWSON ENGINEERS**  
 SURVEYORS  
 1000 W. UNIVERSITY BLVD. SUITE 100  
 SALADO, TEXAS 76785  
 TEL: 817.251.1111  
 FAX: 817.251.1112  
 WWW.PAPE-DAWSON.COM

SANCTUARY  
 PROPERTY BOUNDARIES  
 SALADO, TX

Map Date ©2014