

**STRATEGIC PARTNERSHIP AGREEMENT BY AND BETWEEN
THE CITY OF DENTON, TEXAS AND
SANCTUARY MUNICIPAL UTILITY DISTRICT NO. 1 OF DENTON COUNTY**

STATE OF TEXAS

COUNTY OF DENTON

This Strategic Partnership Agreement (this “Agreement”) is entered into by the City of Denton, Texas (the “City”), and Sanctuary Municipal Utility District No. 1 of Denton County, a political subdivision of the State of Texas, acting by and through its duly authorized Board of Directors (the “District”), under the authority of Section 43.0751 of the Texas Local Government Code (the “Local Government Code”).

RECITALS

WHEREAS, Local Government Code Section 43.0751 (the "Act") authorizes the City and the District to negotiate and enter into a strategic partnership agreement by mutual consent; and

WHEREAS, the District encompasses approximately 273.03 acres, all of which is located within the City's extraterritorial jurisdiction, described by metes and bounds and depicted on Exhibit "A" (the "Property"); and

WHEREAS, this Agreement authorizes the City to annex all or certain portions of the Property for limited purposes for the purpose of collecting Sales and Use Tax Revenues (hereinafter defined) and to annex all of the Property for full purposes upon the terms contained herein; and

WHEREAS, pursuant to this Agreement, the City will retain fifty percent (50%) of all Sales and Use Tax Revenues (hereinafter defined); and

WHEREAS, the City and the District acknowledge that this Agreement provides benefits to each party, including revenue, services and regulatory benefits.

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

ARTICLE I FINDINGS

A. The District is a municipal utility district encompassing approximately 273.03 acres that is located within the City's extraterritorial jurisdiction.

B. The District was created pursuant to Article XVI, Section 59, and Article III, Section 52(b)(3), of the Texas Constitution.

C. On February 4, 2025, the City Council adopted Resolution No. 24-2178, consenting to the annexation of additional acreage to the District (the "Annexation Resolution").

D. The District provided notice of two public hearings concerning the adoption of this Agreement following the District's notification procedures for other matters of public importance, in accordance with the procedural requirements of the Act.

E. The Board of Directors of the District conducted two public hearings regarding this Agreement, at which members of the public who wished to present testimony or evidence regarding this Agreement and the proposed limited purpose annexation were given the opportunity to do so, in accordance with the procedural requirements of the Act, on February 13, 2025, at 12:00 p.m. at 16000 N. Dallas Parkway, Suite 350, Dallas, Texas 75248, and on February 21, 2025, at 12:00 p.m. at 16000 N. Dallas Parkway, Suite 350, Dallas, Texas 75248.

F. The Board of Directors of the District approved this Agreement on February 21, 2025, in open session at a meeting held in accordance with Chapter 551 of the Texas Government Code.

G. The City provided notice of two public hearings concerning the adoption of this Agreement by publishing said notices in a newspaper of general circulation in the City and in the District, in accordance with the procedural requirements of the Act.

H. The City Council conducted two public hearings regarding this Agreement, at which members of the public who wished to present testimony or evidence regarding this Agreement and the proposed limited purpose annexation were given the opportunity to do so, in accordance with the procedural requirements of the Act, on _____, 2025, at _____ p.m. at the City Council Chambers, and on _____, 2025, at _____ p.m. at the City Council Chambers.

I. The City Council approved this Agreement on _____, 2025, in open session at a meeting held in accordance with Chapter 551 of the Texas Government Code, which approval occurred after the Board of Directors of the District approved this Agreement.

J. All procedural requirements imposed by law for the adoption of this Agreement have been met.

K. In accordance with the requirements of Subsection (p)(2) of the Act, this Agreement provides benefits to the City and the District, including revenue, services and regulatory benefits which are reasonable and equitable with regard to the benefits provided to the other.

ARTICLE II
DEFINITIONS

Terms used in this Agreement shall have the following meanings:

“Act” means the Texas Local Government Code, Section 43.0751, and any amendments thereto.

“Agreement” means this Strategic Partnership Agreement between the City and the District.

“Board of Directors” means the Board of Directors of the District.

“City” means the City of Denton, Texas, a general law municipal corporation of the State of Texas.

“City Council” means the City Council of the City.

“City Share” means the City’s share of the Sales and Use Tax Revenues as defined in Section 4.2 of this Agreement.

“Comptroller” means the Comptroller of Public Accounts for the State of Texas.

“Development Agreement” means the Development Agreement by and between the City and Owner, effective February 4, 2025, regarding development of the Property.

“District” means Sanctuary Municipal Utility District No. 1 of Denton County.

“District Share” means the District’s share of the Sales and Use Tax Revenues as defined by Section 4.2 of this Agreement.

“ETJ” means the extraterritorial jurisdiction of a city as defined by the Local Government Code, as amended.

“Effective Date” means the date on which the City adopts this Agreement.

“Government Code” means the Texas Government Code, as amended.

“Limited Purpose Annexation Period” means the period commencing on the effective date of the limited purpose annexation of the Limited Purpose Property and ending upon the full purpose annexation or disannexation of such property.

“Limited Purpose Property” means the property in the District that is within the City’s

ETJ and is annexed for limited purposes pursuant to this Agreement.

“Local Government Code” means the Texas Local Government Code, as amended.

“Notice” means notice as defined in Section 8.1 of this Agreement.

“Party” means, individually, the City or the District, their successors and assigns as permitted by Section 8.8 of this Agreement.

“Property” means the approximately 273.03 acres within the City’s extraterritorial jurisdiction, described by metes and bounds and depicted on Exhibit “A.”

“Sales and Use Tax Revenues” means those revenues received by the City from the sales and use tax authorized to be imposed by the City on sales consummated at locations within the Limited Purpose Property pursuant to the Act and Chapter 321 of the Tax Code and whose use is not otherwise controlled or regulated, in whole or in part, by another governmental entity, authority or applicable law, ordinance, rule or regulation.

“Tax Code” means the Texas Tax Code, as amended.

ARTICLE III ADOPTION OF AGREEMENT AND LIMITED PURPOSE ANNEXATION OF COMMERCIAL PROPERTY

3.1 Public Hearings. The District and the City acknowledge and agree that prior to the execution of this Agreement, the governing bodies of the District and the City have conducted two public hearings for the purpose of considering the adoption of this Agreement and that such hearings were noticed and conducted in accordance with the terms of the Act, this Agreement and Chapter 551 of the Government Code. The District shall pay fees related to noticing required by the Act.

3.2 Effective Date. Pursuant to Subsection (c) of the Act, this Agreement is effective on the date of adoption of this Agreement by the City.

3.3 Filing in Property Records. The City shall file this Agreement in the Real Property Records of Denton County, Texas.

3.4 Limited Purpose Annexation. The District and the City agree that the City may annex all or any portion of the District for the limited purpose of collecting Sales and Use Tax Revenues within the District pursuant to Subsection (k) of the Act. The District acknowledges that the City Council may adopt one or more limited purpose annexation ordinances at one or more meetings conducted in accordance with Chapter 551 of the Government Code and further acknowledges that no additional notices, hearings or other procedures are required by law in order

to approve such limited purpose annexations. The City may annex for limited purposes any portion of the District at any time after Owner, or any subsequent owner, submits a final plat for such property to the County.

3.7 Limited Purpose Property and Sales and Use Tax Revenue. For purposes of this Agreement, any property the City annexes for the limited purpose of collecting sales tax shall collectively be referred to as the "Limited Purpose Property"; and the sales and use taxes collected within the Limited Purpose Property shall be referred to as the "Sales and Use Tax Revenues".

3.5 Consent to Limited Purpose Annexation. The District, on behalf of itself and all present and future owners of land within the District, hereby requests that the City annex the Limited Purpose Property for limited purposes as provided in this Agreement. The District consents to such annexation and to the collection of Sales and Use Tax Revenues by the City within such Limited Purpose Property. Such consent shall bind the District and all current and future owners of land within the District.

ARTICLE IV TAXATION AND PROVISIONS OF SERVICES

4.1 Collection of Sales and Use Tax Revenues. The City may impose a sales and use tax within the Limited Purpose Property pursuant to Subsection (k) of the Act. The sales and use tax shall be imposed on all eligible commercial activities at the rate of two percent (2%), or other rate allowed under future amendments to Chapter 321 of the Tax Code and imposed by the City. Collection of the Sales and Use Tax Revenues shall take effect on the date described in Section 321.102 of the Tax Code.

4.2 Payment of Sales and Use Tax. In return for the benefits received by the City pursuant to this Agreement, the City shall pay to the District an amount equal to fifty percent (50%) of the Sales and Use Tax Revenues paid to the City as reflected in sales tax reports provided by the Comptroller to the City to be used for any lawful purpose of the District. All amounts payable to the District are hereafter referred to as the "District Share." The City shall pay the District Share within thirty (30) days after the City receives the payment and the sales tax report reflecting such revenue from the Comptroller. Any payment of the District Share not made within such thirty (30) day period shall bear interest calculated in accordance with Section 2251.025 of the Government Code. The City shall retain all Sales and Use Tax Revenues that do not constitute the District Share (the "City Share"). The City shall deliver to the District a condensed version of each monthly area sales tax report provided by the Comptroller, containing only the contents of the sales tax report relating to retail sales and retailers in the Property within thirty (30) days of the City's receipt of the sales tax report.

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

limited purposes.

ARTICLE V FULL PURPOSE ANNEXATION

5.1 Full Purpose Annexation and Conversion Date. In accordance with the provisions of Section 43.0751(f)(5) of the Act, the District consents to the full purpose annexation of the District by the City at any time on or after one hundred percent (100%) of the land in the District has been developed with water, sanitary sewer, and drainage facilities and roads (collectively, "Facilities") and the District has issued its bonds to fully reimburse the developer of such Facilities to the fullest extent allowed under the then current rules of the Texas Commission on Environmental Quality. The City agrees not to annex the District for full municipal purposes prior to such time. At least sixty (60) days prior to the date the City intends to annex the District, the City shall provide the District with a written notice of intent to annex the District and the date planned for annexation, which date shall constitute the full purpose annexation conversion date under the Act. The City further agrees that the full purpose annexation of the District by the City is further subject to the limitations contained in the Development Agreement.

5.2 Assumption of District Duties. Prior to the full purpose annexation conversion date, the District remains authorized to exercise all powers and functions of a municipal utility district provided by existing law or any amendments or additions thereto. The District's assets, liabilities, indebtedness, and obligations will remain the responsibility of the District during the period preceding full-purpose annexation and conversion. The District agrees that beginning on the Effective Date and until the full purpose annexation conversion date, the District shall maintain all of its roadway, property and utility infrastructure in good condition and repair. Upon the full purpose annexation conversion date Sections 43.075(c) and (d) of the Act shall apply and, (i) the City shall succeed to the powers, duties, assets, and obligations of the District; and (ii) the City shall take over all the property and other assets of the District, assume all the debts, liabilities, and obligations of the District, and perform all the functions of the District. The City and the District agree to fully comply with all requirements in Section 43.075 of the Texas Local Government Code.

ARTICLE VI TERM

This Agreement commences on the Effective Date and continues until the City annexes all of the Property for full purposes in accordance with the terms hereof. The provisions of this Agreement relating to the collection of sales and use tax will automatically terminate with regard to any portion of the Property upon disannexation or full purpose annexation of such property.

ARTICLE VII
BREACH, NOTICE AND REMEDIES

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

7.2 Cure of Breach. The breaching Party shall commence curing such breach within fourteen (14) calendar days after receipt of Notice of the breach and shall complete the cure within fourteen (14) calendar days from the date of commencement of the cure; however, if the breach is not reasonable susceptible to cure by the breaching Party within such fourteen (14) day period, the non-breaching Party shall not bring any action so long as the breaching Party has commenced to cure the breach within such fourteen (14) day period and diligently completes the cure within a reasonable time without unreasonable cessation.

7.3 Remedies for Breach. If the breaching Party does not substantially cure such breach within the stated period of time, the non-breaching Party may, in its sole discretion, and without prejudice to any other right under this Agreement, law, or equity, seek relief available at law or in equity, including, but not limited to, an action under the Uniform Declaratory Judgment Act, specific performance, mandamus and injunctive relief; provided, however, the non-breaching Party shall not be entitled to terminate this Agreement. The Parties specifically waive any right that they have or in the future may have to terminate this Agreement. Damages, if any, to which any non-breaching Party may be entitled shall be limited to actual damages and shall not include special or consequential damages.

ARTICLE VIII
ADDITIONAL PROVISIONS

8.1 Notices. All notices under this Agreement (“Notice”) shall be in writing, shall be signed by or on behalf of the Party giving the Notice, and shall become effective as follows: (a) on the third (3rd) business day after being deposited with the United States mail service, Certified Mail, Return Receipt Requested with a confirming copy sent by facsimile; (b) on the day delivered by private delivery or private messenger service (such as FedEx or UPS) as evidenced by a receipt signed by any person at the delivery address (whether or not such person is the person to whom the Notice is addressed); or (c) otherwise on the day actually received by the person to whom the Notice is addressed, including, but not limited to, delivery in persona and delivery by regular mail. All Notices given pursuant to this section shall be addressed as follows:

To the City:

Attn: City Manager
City of Denton, Texas
215 E. McKinney St.
Denton, TX 76201

With a copy to:

Attn: City Attorney
City of Denton, Texas
215 E. McKinney St.
Denton, TX 76201

To the District:

Sanctuary Municipal Utility District
No. 1 of Denton County
c/o Coats Rose, P.C.
Attn: Mindy L. Koehne
16000 N. Dallas Parkway, Suite 350
Dallas, Texas 75248

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

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

8.4 Authority to Execute. The City warrants that this Agreement has been approved by the City Council in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Texas Open Meetings Act) and that the individual executing this Agreement on behalf of the City has been authorized to do so. The District warrants that this Agreement has been approved by the Board in accordance with all applicable public meeting and public notice requirements (including, but not limited to, notices required by the Open Meetings Act) and the individual executing this Agreement on behalf of the District has been authorized to do so.

8.5 Entire Agreement; Severability. This Agreement constitutes the entire agreement between the Parties and supersedes all prior agreements, whether oral or written, covering the subject matter of this Agreement. If any provision of this Agreement is determined by a court of competent jurisdiction to be unenforceable for any reason, then (a) such unenforceable provision shall be deleted from this Agreement; (b) the unenforceable provision shall, to the extent possible,

be rewritten to be enforceable and to give effect to the intent of the Parties; and (c) the remainder of this Agreement shall remain in full force and effect and shall be interpreted to give effect to the intent of the Parties.

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

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

8.8 Assignability, Successors and Assigns. This Agreement shall not be assignable by any Party without the other Party's written consent. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective representatives, successors and assigns.

8.9 Amendment. This Agreement may be amended only by written agreement with approval of the governing bodies of both the City and the District.

8.10 Interpretation. The Parties acknowledge that each Party and, if it so chooses, its counsel, have reviewed and revised this Agreement and that the normal rule of construction to the effect that any ambiguities are to be resolved against the drafting Party shall not be employed in the interpretation of this Agreement or any amendments or exhibits hereto. As used in this Agreement, the term "including" means "including, without limitation" and the term "days" means calendar days, not business days. Wherever required by the context, the singular shall include the plural, and the plural shall include the singular. Each defined term herein may be used in its singular or plural form whether or not so defined.

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

8.12 Governmental Powers. By execution of this Agreement, neither the City nor the District waives or surrenders any of its respective governmental powers, immunities or rights, except as specifically waived pursuant to this section. The City and the District mutually waive their governmental immunity from suit and liability only as to any action brought by a Party to pursue the remedies available under this Agreement and only to the extent necessary to pursue such remedies. Nothing in this section shall waive any claims, defenses or immunities that the City or the District has with respect to suits against the City or the District by persons or entities not a party to this Agreement. Nothing in this Agreement is intended to delegate or impair the

performance by the City of its governmental functions, and the City waives any claim or defense that any provision of this Agreement is unenforceable on the grounds that it constitutes an impermissible delegation or impairment of the City's performance of its governmental functions.

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

Exhibit A Legal Description and Map of Property

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

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CITY OF DENTON, TEXAS

By: _____
City Manager
Date: _____

ATTEST:

By: _____
City Secretary

APPROVED AS TO FORM

By: _____
City Attorney

STATE OF TEXAS

COUNTY OF DENTON

This instrument was acknowledged before me, the undersigned notary, on the _____ day of _____, _____, by _____, City Manager, and _____, City Secretary, of the city of Denton, Texas, on behalf of said city.

Notary Public in and for the State of Texas

(NOTARY SEAL)

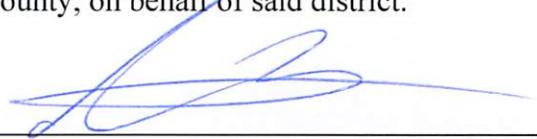
SANCTUARY MUNICIPAL UTILITY DISTRICT
NO. 1 OF DENTON COUNTY

By: Natasha Crabb
Name: Natasha Crabb
Title: President
Date: 2/21/2025

STATE OF TEXAS §

COUNTY OF DALLAS §

This instrument was acknowledged before me, the undersigned notary, on the 21st day of February, 2025, by Natasha Crabb, President of the Board of Directors of Sanctuary Municipal Utility District No. 1 of Denton County, on behalf of said district.



Notary Public in and for the State of Texas

(NOTARY SEAL)

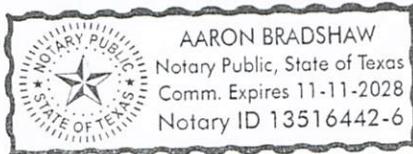


EXHIBIT "A"
The Property

EXHIBIT "A"
DENTON COUNTY, TEXAS
273.03 ACRE BOUNDARY DESCRIPTION

July 30, 20243
Sheet 2 of 3

Being 273.03 acres out of the S. Winfrey Survey, Abstract No. 1319, being a called 272.67 acre tract of land described in deed as Tract Two to Danny Joe Guest and Courtney Sweatman, recorded in Instrument No. 2019-3193, Official Records, Denton County, Texas (O.R.D.C.T.), said 273.03 acre tract being more particularly described by metes and bounds as follows:

Beginning at a mag nail set for the Northwest corner of said 272.67 acre tract, the Southwest corner of a 104.290 acre tract of land recorded in Instrument No. 2018-12243, (O.R.D.C.T.), and being the Northwest corner of this 273.03 acre tract;

THENCE North 89°48'36" East, passing at a distance of 23.61 feet, a 1/2-inch iron rod found, continuing in all a distance of 1,582.68 feet to a 1/2-inch iron rod found for the Southeast corner of said 104.290 acre tract and the Southwest corner of a called 20.551 acre tract of land described in deed as Tract 2 to Coserv Property Holdings, LLC, recorded in Instrument No. 63414, (O.R.D.C.T.);

THENCE North 89°49'23" East, a distance of 550.63 feet to a distance of 550.63 feet to a 1/2-inch iron rod found for the Southeast corner of said 20.551 acre tract and the Southwest corner of a called 19.448 acre tract of land described in deed as Tract 1 to Coserv Property Holdings, LLC recorded in Instrument No. 63414, (O.P.R.D.C.T.);

THENCE North 89°48'53" East, a distance of 544.14 feet to a 1/2-inch iron rod found for the Southeast corner of a said 19.448 acre tract and the Southwest corner of a said 11.26 acre tract of land;

THENCE North 89°57'53" East, a distance of 35.85 feet to a 1/2-inch iron rod found for the Northeast corner of this 273.03 acre tract;

THENCE South 00°21'46" East, a distance of 518.98 feet to a fence corner post found;

THENCE South 00°12'46" East, a distance of 859.16 feet to a 1/2-inch iron rod stamped "TOPOGRAPHIC" set;

THENCE South 00°01'21" East, a distance of 475.13 feet to a 1/2-inch iron rod stamped "TOPOGRAPHIC" set;

THENCE South 00°00'05" East, a distance of 960.47 feet to a fence corner post found;

THENCE South 00°15'25" East, a distance of 1,395.53 feet to a to a point for the Southeast corner of this 273.03 acre tract;

THENCE South 89°54'18" West, a distance of 2,843.11 feet to a to a point for the Southwest corner of this 273.03 acre tract;

THENCE North 00°13'49" East, a distance of 4,202.62 feet to the point of beginning and containing 273.03 acres of land.

All bearings, distances, and coordinates contained herein are grid, based upon the Texas Coordinate System of 1983 (commonly, Texas State Plane Coordinate System), North Central Zone, in U.S. Survey Feet.