

STATE OF TEXAS §
§ **ECONOMIC DEVELOPMENT AGREEMENT**
COUNTY OF DALLAS §

This Economic Development Incentive Agreement (“Agreement”) is made by and among the City of Coppell, Texas (“City”), and Naterra International, Inc (“Company”) (collectively the City and the Company the “Parties” or singularly as a “Party”), acting by and through their respective authorized officers and representatives.

WITNESSETH:

WHEREAS, the Company owns or is under contract to purchase approximately 18.36 acres of land in Coppell, Texas, being further described in Exhibit “A” (“Land”), and intends to construct a building containing approximately 300,000 square feet of office and warehouse/distribution space (hereinafter defined as the “Improvements”) on the Land; and

WHEREAS, the Company intends to locate Tangible Personal Property (hereinafter defined) at the Improvements; and

WHEREAS, the Company is engaged in the business of the manufacture and distribution of health and beauty products; and

WHEREAS, the Company has advised the City that a contributing factor that would induce the Company to construct the Improvements and maintain its operations at the Improvements in the City would be an agreement by the City to provide an economic development grant to the Company; and

WHEREAS, the City desires to retain existing retail business in the City; and

WHEREAS, the retention of existing retail business in the City will promote economic development, stimulate commercial activity, generate additional sales tax and will enhance the tax base and economic vitality of the City; and

WHEREAS, the City has adopted programs for promoting economic development; and

WHEREAS, the City is authorized by Article 52-a Texas Constitution and TEX. LOC. GOV'T CODE §380.001 to provide economic development grants to promote local economic development and to stimulate business and commercial activity in the City; and

WHEREAS, the City has determined that making an economic development grant to the Company in accordance with this Agreement will further the objectives of the City, will benefit the City and the City inhabitants and will promote local economic development and stimulate business and commercial activity in the City;

NOW THEREFORE, in consideration of the foregoing, and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

Article I Definitions

Wherever used in this Agreement, the following terms shall have the meaning ascribed to them unless the context clearly indicates otherwise:

“Bankruptcy or Insolvency” shall mean the dissolution or termination (other than a dissolution or termination by reason of a Party merging with an affiliate) of a Party’s existence as a going business, insolvency, appointment of receiver for any part of a Party’s property and such appointment is not terminated within ninety (90) business days after such appointment is initially made, any general assignment for the benefit of creditors, or the commencement of any proceeding under any bankruptcy or insolvency laws by or against a Party and in the event such proceeding is not voluntarily commenced by the Party, such proceeding is not dismissed within ninety (90) business days after the filing thereof.

“Casualty” shall mean the Improvements is wholly or partially destroyed by fire, earthquake, flood or similar casualty that renders the Improvements unfit for the intended purpose.

“City” shall mean the City of Coppell, Texas.

“Commencement Date” shall mean the date a final certificate of occupancy has been issued by the City for Company’s occupancy of the Improvements.

“Commencement of Construction” shall mean that: (i) the plans have been prepared and all approvals thereof and permits with respect thereto required by applicable governmental authorities have been obtained for construction of the Improvements; (ii) all necessary permits for the construction of the Improvements on the Land, pursuant to the respective plans therefore having been issued by all applicable governmental authorities; and (iii) grading of the Land or the construction of the vertical elements of the Improvements has commenced.

“Company” shall mean Natterra International, Inc., a Texas corporation, and its affiliated entities Sfplp Holdings Management, LLC and Beauty Manufacturing Solutions Corp. and any of Company’s successors and assigns approved under Section 6.10 of this Agreement.

“Completion of Construction” shall mean: (i) substantial completion of the Improvements; and (ii) a final certificate of occupancy has been issued for occupancy of the Improvements by the Company.

“Effective Date” shall mean the last date of execution of this Agreement.

“Expiration Date” shall mean the eleventh (11th) anniversary date of the Effective Date.

“Force Majeure” shall mean any contingency or cause beyond the reasonable control of a Party including, without limitation, acts of God or the public enemy, war, riot, civil commotion, insurrection, government or de facto governmental action (unless caused by the intentionally wrongful acts or omissions of the Party), fires, explosions or floods, strikes, slowdowns or work stoppages.

“Freeport Goods” shall have the same meaning as assigned by Section 11.251 of the Tax Code and Article VIII, Section 1-j of the Texas Constitution and located on the Property. Freeport Goods does not include “Goods in Transit” as defined by Tax Code, Section 11.253.

“Goods in Transit” shall have the same meaning assigned by Tax Code, Section 11.253.

“Grant(s)” shall collectively mean the Fee Waiver and the Rollback Tax Grant to be paid to the Company from lawful available funds as set forth herein.

“Impositions” shall mean all taxes, assessments, use and occupancy taxes, charges, excises, license and permit fees, and other charges by public or governmental authority, general and special, ordinary and extraordinary, foreseen and unforeseen, which are or may be assessed, charged, levied, or imposed by any public or governmental authority on the Company or any property or any business owned by Company within the City.

“Improvements” shall mean the building containing approximately 300,000 square feet of office and warehouse/distribution space to be constructed on the Land and other ancillary facilities such as reasonably required parking and landscaping more fully described in the submittals filed by Company with the City, from time to time, in order to obtain a building permit(s).

“Land” means the real property described in Exhibit “A”.

“Related Agreements” shall collectively mean the Tax Abatement Agreement and any other agreement by and between the City and the Company, its parent company, and any affiliated or related entity owned or controlled by the Company or its parent company relating to the Land and the Improvements.

“Required Use” shall mean Company’s continuous occupancy of the Improvements and the continuous operation of an office and warehouse/distribution for health and beauty care products at the Improvements.

“Rollback Grants” shall mean periodic economic development grants in an amount equal to the Rollback Taxes not to exceed One Hundred Thousand Dollars (\$100,000.00) in the aggregate to offset a portion of the Company’s cost of development of the Land, to be provided as set forth herein.

“Rollback Taxes” shall mean the tax and/or penalty assessed against the Land, or portion thereof, as the result of the removal of agricultural and/or open space land designation(s) for the Land, or portion thereof, pursuant to Tax Code, Chapter 23 and collected by the City, from time to time, during the term of this Agreement.

“Tangible Personal Property” shall mean tangible personal property, equipment and fixtures, including inventory and supplies (but excluding Freeport Goods and Goods in Transit) owned or leased by the Company that is added to the Improvements subsequent to the execution of this Agreement.

“Taxable Value” means the appraised value as certified by the Appraisal District as of January 1 of a given year.

“Term” shall mean the initial term as set forth herein and any renewal thereof.

Article II Term

The initial term of this Agreement shall begin on the Effective Date and continue until the Expiration Date, unless sooner terminated as provided herein.

Article III Economic Development Grants

3.1 Fee Waiver. Subject to the obligation of the Company to repay the Grants pursuant to Article V hereof, and the continued satisfaction of all the terms and conditions of this Agreement, the City agrees to waive seventy-five percent (75%) of building permit fees and roadway impact fees, assessed against the Land, which shall be refunded to the Company following Completion of Construction of the Improvements in accordance with City policy.

3.2 Rollback Grants. Subject to the Company’s continued satisfaction of all the terms and conditions of this Agreement, and the Company’s obligation to repay the Grants pursuant to Section 5.2 hereof, the City shall, during the term of this Agreement, provide the Rollback Grants to the Company within sixty (60) business days after receipt of a Payment Request following the City collection of Rollback Taxes for such portion of the Land. The Parties acknowledge and agree that, as Rollback Taxes are assessed against the Land and collected by the City, the City shall provide the Rollback Grants to Company, not to exceed One Hundred Thousand Dollars (\$100,000.00) in the aggregate. In the event Rollback Taxes are not assessed against the Land or collected by the City or in the event the Rollback Taxes collected during the term of this Agreement are less than One Hundred Thousand Dollars (\$100,000.00), the City

shall not be obligated to pay any such deficit amount to the Company. The Rollback Grant shall be applied on a per acre basis.

3.3 Grant Limitations. The City shall not be obligated to pay any commercial bank, lender or similar institution for any loan or credit agreement made by the Company. None of the obligations of the City under this Agreement shall be pledged or otherwise encumbered in favor of any commercial lender and/or similar financial institution.

3.4 Current Revenue. The Grants made hereunder shall be paid solely from lawfully available funds that have been appropriated by the City from the general funds or from such other funds as may be set aside for such purposes consistent with Article III, Section 52(a) of the Texas Constitution, as amended, excluding sales and use tax imposed by the City. The City will ensure that the amount of funds appropriated annually is sufficient to ensure the payment of the Grants due for such fiscal year. Under no circumstances shall the City obligations hereunder be deemed to create any debt within the meaning of any constitutional or statutory provision. Consequently, notwithstanding any other provision of this Agreement, the City shall have no obligation or liability to pay any Grants except as allowed by law. The City shall not be required to pay any Grants if prohibited under federal or state legislation or a decision of a court of competent jurisdiction.

Article IV Conditions to the Economic Development Grant

The Company shall, during the term of this Agreement, satisfy and comply with the terms and conditions of this Agreement and each of the terms and conditions of this Article IV.

4.1 Good Faith. Company shall not have an uncured breach or default of this Agreement.

4.2 Required Use. During the term of this Agreement following the Effective Date and continuing until the Expiration Date, unless sooner terminated, Company shall not allow the operation of the Improvements in conformance with the Required Use to cease for more than thirty (30) days except in connection with, and to the extent of an event of Force Majeure or Casualty.

4.3 Continuous Occupancy. The Company shall during the term of this Agreement, beginning on the date of Completion of Construction and continuing thereafter until the Expiration Date, continuously own and occupy the Improvements.

4.4 Construction of the Improvements. The Company shall, subject to events of Force Majeure, cause the Commencement of Construction of the Improvements to occur within one hundred and twenty (120) days after the Effective date and subject to events of Force Majeure to cause Completion of Construction of the Improvements to occur within eighteen (18) calendar months after the Effective Date.

4.5 Minimum Taxable Value. The Taxable Value of the Improvements, excluding the Land, shall be at least \$10 Million Dollars (\$10,000,000.00) as of January 1 of the calendar year immediately following the Commencement Date, and as of January 1 of each year thereafter during the term of this Agreement. The Taxable Value of the Tangible Personal Property shall be at least \$4 Million Dollars (\$4,000,000.00) as of January 1 of the calendar year immediately following the Commencement Date and as of January 1 of each year thereafter during the term of this Agreement.

Article V Termination; Repayment

5.1 Termination. This Agreement terminates upon any one or more of the following:

- (a) by mutual written agreement of the Parties;
- (b) on Expiration Date;
- (c) by either Party, if the other Party defaults or breaches any of the terms or conditions of this Agreement, or a Related Agreement, and such default or breach is not cured within thirty (30) days after written notice thereof;
- (d) by the City, if any Impositions owed to the City or the State of Texas by Company shall have become delinquent (provided, however, Company retains the right to timely and properly protest and contest any such taxes or Impositions);
- (e) by the City, if Company suffers an Event of Bankruptcy or Insolvency; and
- (f) by either Party if any subsequent Federal or State legislation or any decision of a court of competent jurisdiction declares or renders this Agreement invalid, illegal or unenforceable.

5.2 Repayment. In the event the Agreement is terminated by the City pursuant to Section 5.1(b), (c), (d), (e), or (f), the Company shall immediately refund to the City an amount equal to the Grant(s) paid by the City to the Company as of the date of termination, plus interest at the rate of interest periodically announced by the *Wall Street Journal* as the prime or base commercial lending rate, or if the *Wall Street Journal* shall ever cease to exist or cease to announce a prime or base lending rate, then at the annual rate of interest from time to time announced by Citibank, N.A. (or by any other New York money center bank selected by City) as its prime or base commercial lending rate, from the date on which each respective Grant is paid by the City until each such Grant is repaid by the Company. The repayment obligation of Company set forth in this section 5.2 hereof shall survive termination.

5.3 Offsets. The City may at its option, offset any amounts due and payable under this Agreement against any debt (including taxes) lawfully due to the City from the Company, regardless of whether the amount due arises pursuant to the terms of this Agreement, a Related Agreement or otherwise and regardless of whether or not the debt due the City has been reduced to judgment by a court.

**Article VI
Miscellaneous**

6.1 Binding Agreement. The terms and conditions of this Agreement are binding upon the successors and permitted assigns of the Parties hereto.

6.2 Limitation on Liability. It is understood and agreed between the Parties that the Company and City, in satisfying the conditions of this Agreement, have acted independently, and the City assumes no responsibilities or liabilities to third parties in connection with these actions. The Company agrees to indemnify and hold harmless the City from all such claims, suits, and causes of actions, liabilities and expenses, including reasonable attorney's fees, of any nature whatsoever by a third Party arising out of the Company's performance of the conditions under this Agreement.

6.3 No Joint Venture. It is acknowledged and agreed by the Parties that the terms hereof are not intended to and shall not be deemed to create a partnership or joint venture between the Parties.

6.4 Authorization. Each Party represents that it has full capacity and authority to grant all rights and assume all obligations that are granted and assumed under this Agreement.

6.5 Notice. Any notice required or permitted to be delivered hereunder shall be deemed received three (3) days thereafter sent by United States Mail, postage prepaid, certified mail, return receipt requested, addressed to the Party at the address set forth below (or such other address as such Party may subsequently designate in writing) or on the day actually received if sent by courier or otherwise hand delivered.

If intended for City, to:

Attn: City Manager
City of Coppell, Texas
P. O. Box 478
Coppell, Texas 75019

With a copy to:

Peter G. Smith
Nichols, Jackson, Dillard, Hager & Smith, L.L.P.
1800 Lincoln Plaza
500 N. Akard
Dallas, Texas 75201

If intended for Owner, to:

Mr. Jin K. Song
Naterra International, Inc.
13525 Denton Drive
Dallas, Texas 75234

6.6 Entire Agreement. This Agreement is the entire Agreement between the Parties with respect to the subject matter covered in this Agreement. There is no other collateral oral or written Agreement between the Parties that in any manner relates to the subject matter of this Agreement, except as provided in any Exhibits attached hereto.

6.7 Governing Law. The Agreement shall be governed by the laws of the State of Texas, without giving effect to any conflicts of law rule or principle that might result in the application of the laws of another jurisdiction; and venue for any action concerning this Agreement shall be in the State District Court of Dallas County, Texas. The Parties agree to submit to the personal and subject matter jurisdiction of said court.

6.8 Amendment. This Agreement may only be amended by the mutual written agreement of the Parties.

6.9 Legal Construction. In the event any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect other provisions, and it is the intention of the Parties to this Agreement that in lieu of each provision that is found to be illegal, invalid, or unenforceable, a provision shall be added to this Agreement which is legal, valid and enforceable and is as similar in terms as possible to the provision found to be illegal, invalid or unenforceable.

6.10 Successors and Assigns. This Agreement may not be assigned without the prior written consent of the City Manager.

6.11 Recitals. The recitals to this Agreement are incorporated herein.

6.12 Counterparts. This Agreement may be executed in counterparts. Each of the counterparts shall be deemed an original instrument, but all of the counterparts shall constitute one and the same instrument.

6.13 Survival of Covenants. Any of the representations, warranties, covenants, and obligations of the Parties, as well as any rights and benefits of the Parties, pertaining to a period of time following the termination of this Agreement shall survive termination.

6.14 Employment of Undocumented Workers. During the term of this Agreement, the Company agrees not to knowingly employ any undocumented workers, and if convicted of a violation under 8 U.S.C. Section 1324a (f), the Company shall repay the Grants herein and any other funds received by the Company from the City as of the date of such violation within 120 business days after the date the Company is notified by the City of such violation, plus interest at the rate of 6% compounded annually from the date of violation until paid. The Company is not liable for a violation of this Section by a subsidiary, affiliate, or franchisees of the Company or by a person with whom the Company contracts.

(Signature page to follow)

EXECUTED on this _____ day of _____, 2013.

CITY OF COPPELL, TEXAS

By: _____
Karen Selbo Hunt, Mayor

ATTEST:

By: _____
City Secretary

Approved as to Form:

By: _____
City Attorney

EXECUTED in duplicate originals the _____ day of _____, 2013.

NATERRA INTERNATIONAL, INC.

By: _____
Jin K. Song
Chief Executive Officer

Sfplp HOLDINGS MANAGEMENT, LLC

By: _____
Jin K. Song
Manager

**BEAUTY MANUFACTURING SOLUTIONS
CORP.**

By: _____
Jin K. Song
Chief Executive Officer

EXHIBIT "A"
LEGAL DESCRIPTION OF LAND

Gateway Business Park II, Lot 1R, Block B (18.4 acres).