

STATE OF TEXAS §
§ **TAX ABATEMENT AGREEMENT**
COUNTY OF DALLAS §

This Tax Abatement Agreement (the “Agreement”) is entered into by and among the City of Coppell, Texas (the “City”), and Naterra International, Inc. (the “Owner”) (the City and Owner collectively referred to as the “Parties” or singularly as a “Party”), acting by and through their authorized representatives.

WITNESSETH:

WHEREAS, the City Council of the City of Coppell, Texas (the “City Council”), passed an Ordinance (the “Ordinance”) establishing Tax Abatement Reinvestment Zone No. 70 (the “Zone”), for commercial/industrial tax abatement, as authorized by the Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code, as amended (the “Tax Code”); and

WHEREAS, the City has adopted guidelines for tax abatement (the “Tax Abatement Guidelines”); and

WHEREAS, the Tax Abatement Guidelines contain appropriate guidelines and criteria governing tax abatement agreements to be entered into by the City as contemplated by the Tax Code; and

WHEREAS, the City has adopted a resolution stating that it elects to be eligible to participate in tax abatement; and

WHEREAS, in order to maintain and enhance the commercial and industrial economic and employment base of the Coppell area, it is in the best interests of the taxpayers for the City to enter into this Agreement in accordance with said Ordinance, the Tax Abatement Guidelines and the Tax Code; and

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

WHEREAS, Owner’s development efforts described herein will create permanent new jobs in the City; and

WHEREAS, the City Council finds that the contemplated use of the Premises (hereinafter defined), the contemplated Improvements, and the other terms hereof are consistent with encouraging development of the Zone in accordance with the purposes for its creation and/or in

compliance with the Tax Abatement Guidelines, the Ordinance adopted by the City, the Tax Code and all other applicable laws; and

WHEREAS, the City Council finds that the Improvements sought are feasible and practicable and would be of benefit to the Premises to be included in the Zone and to the City after expiration of this Agreement; and

WHEREAS, a copy of this Agreement has been furnished, in the manner prescribed by the Tax Code, to the presiding officers of the governing bodies of each of the taxing units in which the Premises is located;

NOW, THEREFORE, in consideration of the mutual benefits and promises contained herein and for other good and valuable consideration, the adequacy and receipt of which is hereby acknowledged, including the expansion of primary employment, the attraction of major investment in the Zone, which contributes to the economic development of Coppell and the enhancement of the tax base in the City, the Parties agree as follows:

Article I Definitions

Wherever used in this Agreement, the following terms shall have the meanings ascribed to them:

“Bankruptcy or Insolvency” shall mean the dissolution or termination 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) 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 such party, and such proceeding is not dismissed within ninety (90) days after the filing thereof.

“Base Year Taxable Value” shall mean the Taxable Value for the Land for the year in which the Tax Abatement Agreement is executed.

“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.

“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 Owner.

“Effective Date” shall mean the last date of execution of this Agreement, unless the context indicates otherwise.

“First Year of Abatement” shall mean January 1 of the calendar year immediately following the date of Completion of Construction.

“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, adverse weather, government or de facto governmental action (unless caused by acts or omissions of such 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.

“Improvements” shall mean the building containing approximately 320,000 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 Owner with the City, from time to time, in order to obtain a building permit(s).

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

“Owner” shall mean Naterra 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 8.9.

“Premises” shall mean collectively, the Land and Improvements following construction thereof, but excluding the Tangible Personal Property.

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

“Required Use” shall mean Owner’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.

“Tangible Personal Property” shall mean tangible personal property, equipment and fixtures (but excluding supplies, inventory, Freeport Goods and Goods in Transit) owned or leased by the Owner 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.

Article II General Provisions

2.1 Owner is the owner of the Land, or is under contract to purchase the Land, which Land is located within the city limits of the City and within the Zone. Owner intends to construct the Improvements on the Land, and to locate Tangible Personal Property thereon.

2.2 The Premises are not in an improvement project financed by tax increment bonds.

2.3 This Agreement is entered into subject to the rights of the holders of outstanding bonds of the City.

2.4 The Premises and Tangible Personal Property are not owned or leased by any member of the Coppell City Council or any member of the Coppell Planning and Zoning Commission.

2.5 Owner shall before May 1, of each calendar year that the Agreement is in effect, certify in writing to the City that it is in compliance with each term of the Agreement.

2.6 The Land and the Improvements constructed thereon at all times shall be used in the manner (i) that is consistent with the City’s Comprehensive Zoning Ordinance, as amended, and (ii) that, during the period taxes are abated hereunder, is consistent with the general purposes of encouraging development or redevelopment within the Zone.

Article III Tax Abatement Authorized

3.1 This Agreement is authorized by the Tax Code and in accordance with the Tax Abatement Guidelines, and approved by resolution of the City Council.

3.2 Subject to the terms and conditions of this Agreement, and provided the Taxable Value for the Improvements, excluding the Land, is at least \$10 Million Dollars (\$10,000,000.00) as of January 1 of the First Year of Abatement and as of January 1 of each year thereafter that this Agreement is in effect, and further provided the Taxable Value for the Tangible Personal Property is at least \$4 Million Dollars (\$4,000,000.00) as of January 1 of the First Year of Abatement and as of January 1 of each year thereafter that this Agreement is in effect, the City hereby grants Owner an abatement of eighty percent (80%) of the Taxable Value of the Improvements and an abatement of eighty percent (80%) of the Taxable Value of the Tangible Personal Property, for a period of ten (10) consecutive years, beginning with the First Year of Abatement. The actual percentage of Taxable Value of the Improvements subject to abatement for each year this Agreement is in effect will apply only to the portion of the Taxable Value of the Improvements that exceeds the Base Year Taxable Value. The actual percentage of Taxable Value of the Tangible Personal Property subject

to abatement for each year this Agreement is in effect will apply only to the Tangible Personal Property that is added to the Improvements subsequent to the execution of this Agreement.

3.3 The period of tax abatement herein authorized shall be for a period of ten (10) consecutive years.

3.4 During the period of tax abatement herein authorized, Owner and Lessee shall each be subject to all taxation not abated, including but not limited to, sales tax and ad valorem taxation on land.

3.5 Continuous Occupancy. During the term of this Agreement beginning on the date of Completion of Construction of the Improvements and continuing until the expiration of the term, unless sooner terminated, Owner shall continuously own and occupy the Premises.

3.6 The term of this Agreement shall begin on the Effective Date and shall continue until March 1 of the calendar year following the eleventh (11th) anniversary date of the First Year of Abatement, unless sooner terminated as provided herein.

3.7 Required Use. During the term of this Agreement beginning on the date of Completion of Construction of the Improvements and continuing until the expiration of the term, unless sooner terminated, Owner 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.

Article IV Improvements

4.1 Owner owns or is under contract to purchase the Land and intends to construct or cause to be constructed thereon the Improvements, and intends to locate Tangible Personal Property thereon. Nothing in this Agreement shall obligate Owner to construct the Improvements on the Land, or to locate Tangible Personal Property thereon, but said actions are conditions precedent to tax abatement pursuant to this Agreement.

4.2 As a condition precedent to the initiation of the Owner's tax abatement pursuant to this Agreement, Owner agrees, subject to events of Force Majeure, to cause 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, as good and valuable consideration for this Agreement, and that all construction of the Improvements will be in accordance with all applicable state and local laws, codes, and regulations (or valid waiver thereof).

4.3 Construction plans for the Improvements constructed on the Land will be filed with the City, which shall be deemed to be incorporated by reference herein and made a part hereof for all purposes.

4.4 Owner agrees to maintain the Improvements during the term of this Agreement in accordance with all applicable state and local laws, codes, and regulations.

4.5 The City, its agents and employees shall have the right of access to the Premises during construction to inspect the Improvements at reasonable times and with reasonable notice to Owner, and in accordance with visitor access and security policies of the Owner, in order to insure that the construction of the Improvements are in accordance with this Agreement and all applicable state and local laws and regulations (or valid waiver thereof).

Article V

Default: Recapture of Tax Revenue

5.1 In the event Owner fails to cause Completion of Construction of the Improvements in accordance with this Agreement or in accordance with applicable State or local laws, codes or regulations, or in the event the Owner: (i) has delinquent ad valorem or sales taxes owed to the City (provided Owner retains its right to timely and properly protest such taxes or assessment); (ii) has an event of Bankruptcy or Insolvency; or (iii) breaches any of the terms and conditions of this Agreement or a Related Agreement, then Owner after the expiration of the notice and cure periods described below, shall be in default of this Agreement. As liquidated damages in the event of such default, the Owner shall, within thirty (30) days after demand, pay to the City all taxes which otherwise would have been paid by the Owner to the City without benefit of a tax abatement for the property, the subject of this Agreement, at the statutory rate for delinquent taxes as determined by Section 33.01 of the Tax Code, as amended, but without penalty. The Parties acknowledge that actual damages in the event of default termination would be speculative and difficult to determine. The Parties further agree that any abated tax, including interest, as a result of this Agreement, shall be recoverable against the Owner, its successors and assigns and shall constitute a tax lien against the Premises and the Tangible Personal Property, and shall become due, owing and shall be paid to the City within thirty (30) days after notice of termination.

5.2 Upon breach by Owner of any of the terms, conditions and obligations under this Agreement, the City shall notify the Owner in writing, who shall have thirty (30) days from receipt of the notice in which to cure any such default. If the default cannot reasonably be cured within a thirty (30) day period, and the Owner has diligently pursued such remedies as shall be reasonably necessary to cure such default, then the City may extend the period in which the default must be cured.

5.3 If the Owner fails to cure the default within the time provided as specified above or, as such time period may be extended, then the City shall have the right to terminate this Agreement by providing written notice to the Owner.

5.4 Upon termination of this Agreement by City, all tax abated as a result of this Agreement, shall become a debt to the City as liquidated damages, and shall become due and payable not later than thirty (30) days after a notice of termination is provided. The City shall have all remedies for the collection of the abated tax provided generally in the Tax Code for the collection of delinquent property tax. The City at its sole discretion has the option to provide a repayment schedule. The computation of the abated tax for the purposes of the Agreement shall be based upon the full Taxable Value of the Improvements and the Tangible Personal Property, without tax abatement for the years in which tax abatement hereunder was received by the Owner, as determined by the Appraisal District, multiplied by the tax rate of the years in question, as calculated by the City Tax Assessor-Collector. The liquidated damages shall incur penalties as provided for delinquent taxes and shall commence to accrue after expiration of the thirty (30) day payment period.

Article VI
Annual Application for Tax Exemption

It shall be the responsibility of the Owner pursuant to the Tax Code, to file an annual exemption application form for the Improvements and Tangible Personal Property with the Chief Appraiser for the Appraisal District in which the eligible taxable property has situs. A copy of the respective exemption application shall be submitted to the City upon request.

Article VII
Annual Rendition

The Owner shall annually render the value of the Improvements and the Tangible Personal Property to the Appraisal District, and to provide a copy of the same to the City upon written request.

Article VIII
Miscellaneous

8.1 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 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
Natterra International, Inc.
13525 Denton Drive
Dallas, Texas 75234

8.2 Authorization. This Agreement was authorized by resolution of the City Council approved by its Council meeting authorizing the Mayor to execute this Agreement on behalf of the City.

8.3 Severability. In the event any section, subsection, paragraph, sentence, phrase or word herein is held invalid, illegal or unconstitutional, the balance of this Agreement shall stand, shall be enforceable and shall be read as if the parties intended at all times to delete said invalid section, subsection, paragraph, sentence, phrase or word.

8.4 Governing Law. This Agreement shall be governed by the laws of the State of Texas without regard to any conflict of law rules. Exclusive venue for any action under this Agreement shall be the State District Court of Dallas County, Texas. The Parties agree to submit to the personal and subject matter jurisdiction of said court.

8.5 Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original and constitute one and the same instrument.

8.6 Entire Agreement. This Agreement embodies the complete agreement of the parties hereto, superseding all oral or written previous and contemporary agreements between the parties and relating to the matters in this Agreement, and except as otherwise provided herein cannot be modified without written agreement of the parties to be attached to and made a part of this Agreement.

8.7 Recitals. The determinations recited and declared in the preambles to this Agreement are hereby incorporated herein as part of this Agreement.

8.8 Exhibits. All exhibits to this Agreement are incorporated herein by reference for all purposes wherever reference is made to the same.

8.9 Assignment. This Agreement shall be binding on and inure to the benefit of the Parties to it and their respective heirs, executors, administrators, legal representatives, successors, and permitted assigns. This Agreement may not be assigned by the Owner without the prior written consent of the City Manager.

8.10 Employment of Undocumented Workers. During the term of this Agreement, the Owner agrees not to knowingly employ any undocumented workers and if convicted of a violation under 8 U.S.C. Section 1324a (f), the Owner shall repay the taxes abated herein, the Fee Waiver, Rollback Grant and any other funds received by the Owner from the City as of the

date of such violation within 120 days after the date the Owner is notified by the City of such violation, plus interest at the rate of 6% compounded annually from the date of violation until paid.

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

(Signature page to follow)

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

CITY OF COPPELL, TEXAS

By: _____
Karen Selbo Hunt, Mayor

Attest:

By: _____
Christel Pettinos, City Secretary

Agreed 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

Gateway Business Park, Lot 1, Block B
an addition to the City of Coppell, Dallas County, Texas