

STATE OF TEXAS
COUNTY OF DALLAS

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TAX ABATEMENT AGREEMENT

This Tax Abatement Agreement (the “Agreement”) is entered into by and among the City of Coppell, Texas (the “City”), and Norwex USA, Inc., a Texas corporation (the “Lessee”) (the City and Lessee 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. 91 (the “Zone”), for the real property described in **Exhibit “A”** (the “Land”), 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, Lessee currently subleases 150,000 of the square feet of space in the building located at 220 N. Freeport Parkway, Coppell, Texas 75019 (the “Subleased Premises”); and

WHEREAS Lessee intends to locate certain Tangible Personal Property (hereinafter defined) at the Subleased Premises; and

WHEREAS, Lessee’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 Subleased Premises (hereinafter defined), is 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 Subleased Premises 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 are located; and

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.

“City” shall mean the City of Coppell, Texas, acting by and through its City Manager, or designee.

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

“Expiration Date” shall mean March 1 of the calendar year following the calendar year in which the fifth (5th) anniversary date of the First Year of Abatement.

“First Year of Abatement” shall mean the calendar year commencing on January 1, of the calendar year immediately following the date a certificate of occupancy has been issued by the City for the occupancy of the Subleased Premises by Lessee.

“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. 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” or “Subleased Premises” shall mean the building containing approximately 432,720 square feet of office and warehouse/distribution space in the building located at 220 N. Freeport Parkway, Coppell, Texas 75019.

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

“Sublease” shall mean Lessee’s sublease of the Subleased Premises for a period of at least five (5) years commencing on the First Year of Abatement.

“Sublease Inception Date” shall mean the date the term of the Sublease commences but not later than December 1, 2017.

“Lessee” shall mean Norwex USA, Inc., a Texas corporation.

“Related Agreement” shall mean any agreement, other than this Agreement, by and between the City and the Lessee, its parent company, and any affiliated or related entity controlled or owned by Lessee, or its parent company.

“Required Use” shall mean Lessee’s continuous occupancy of the Subleased Premises and the continuous operation of an office and warehouse/distribution for ecologically and environmentally safe products for home and family at the Subleased Premises.

“Tangible Personal Property” shall mean furniture, fixtures and equipment owned or leased by Lessee and located at the Improvements, subsequent to the execution of this Agreement. Tangible Personal Property shall not include inventory, Freeport Goods and Goods in Transit located at the Subleased Premises.

“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 Lessee has or intends to enter into the Sublease and to locate and maintain Tangible Personal Property at the Subleased Premises.

2.2 The Subleased 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 Subleased Premises are not owned or leased by any member of the Coppel City Council or any member of the Coppel Planning and Zoning Commission, or any member of the governing body of any taxing units joining in or adopting this Agreement.

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

2.6 The Subleased Premises 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 City 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 Tangible Personal Property is at least Four Hundred Thousand Dollars (\$400,000.00) (the "Minimum Taxable Value"), as 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 Lessee an abatement of ninety percent (90%) of the Taxable Value of the Tangible Personal Property for a period of five (5) consecutive years beginning with the First Year of Abatement. 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 located at the Subleased Premises subsequent to the execution of this Agreement. The failure of the Tangible Personal Property to have a Taxable Value of at least Four Hundred Thousand Dollars (\$400,000.00) as of January 1 of any given Tax Year shall not be an event of default subject to termination and repayment of the abated taxes pursuant to Article V hereof, but shall result in the forfeiture of the tax abatement for the Tangible Personal Property for such Tax Year.

3.3 The period of tax abatement herein authorized shall be for a period of five (5) consecutive years beginning the First Year of Abatement.

3.4 During the period of tax abatement herein authorized, Lessee shall be subject to all taxation not abated, including but not limited to, sales tax and ad valorem taxation, if any, with respect to the Subleased Premises.

3.5 Lessee agrees, subject to events of Force Majeure, to continuously sublease (or own) and occupy the Subleased Premises for a period of at least five (5) consecutive years beginning with the First Year of Abatement.

3.6 During the term of this Agreement beginning with the First Year of Abatement the Subleased Premises shall not be used for any purpose other than the Required Use and the operation and occupancy of the Subleased Premises in conformance with the Required Use shall not cease for more than thirty (30) days except in connection with and to the extent of an event of Force Majeure.

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

Article IV Improvements

4.1 Lessee has subleased, or intends to enter into the Sublease, and locate Tangible Personal Property at the Subleased Premises. Nothing in this Agreement shall obligate Lessee to enter into the Sublease, or to locate Tangible Personal Property at the Subleased Premises, but said actions are conditions precedent to tax abatement pursuant to this Agreement.

4.2 As a condition precedent to the initiation of the Lessee's tax abatement pursuant to this Agreement, Lessee agrees, subject to events of Force Majeure, to enter into the Sublease on or before December 1, 2017; and to occupy the Subleased Premises on or before May 31, 2018.

4.3 Lessee agrees to maintain the Subleased Premises 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 Subleased Premises at reasonable times and with reasonable notice to Lessee, and in accordance with visitor access and security policies of the Lessee, in order to insure that the Subleased Premises 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 the Lessee: (i) fails to sublease the Subleased Premises in accordance with this Agreement; (ii) has delinquent ad valorem or sales taxes owed to the City (provided Lessee retains its right to timely and properly protest such taxes or assessment); (iii) suffers an event of "Bankruptcy or Insolvency"; or (iv) breaches any of the terms and conditions of this Agreement or a Related Agreement, then Lessee, 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 Lessee shall, within thirty (30) days after demand, pay to the City all taxes which otherwise would have been paid by the Lessee 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 Lessee, its successors and assigns and shall

constitute a tax lien against 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 Lessee of any of the obligations under this Agreement, the City shall notify Lessee in writing, which 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 such 30-day period, and Lessee 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 Lessee fails to cure the default within the time provided as specified above or, as such time period may be extended, the City, at its sole option, shall have the right to terminate this Agreement by providing written notice to Lessee.

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 Tangible Personal Property without tax abatement for the years in which tax abatement hereunder was received by Lessee, 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 Lessee pursuant to the Tax Code, to file an annual exemption application form with the Chief Appraiser for the appraisal district for the Tangible Personal Property. A copy of the exemption application shall be submitted to the City upon request.

Article VII

Annual Rendition

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

Article VIII

Miscellaneous

8.1 Notice. All notices required by this Agreement shall be addressed to the following, or other such other Party or address as either party designates in writing, by certified mail, postage prepaid, or by hand or overnight delivery:

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 Ross Tower
500 North Akard
Dallas, Texas 75201

If intended for Lessee:

Attn: Kristi Hubbard, President
Norwex USA, Inc.
800 W. Bethel Road, Suite 100
Coppell, Texas 75019

8.2 Authorization. This Agreement was authorized by resolution of the City Council.

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 governed by the laws of the State of Texas. 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 Employment of Undocumented Workers. During the term of this Agreement Lessee agrees not to knowingly employ any undocumented workers and if convicted of a violation under 8 U.S.C. Section 1324a (f), such Lessee shall repay the amount of the abated taxes pursuant to this Agreement as of the date of such violation within one hundred twenty (120) days after the date such Lessee is notified by City of such violation, plus interest at the rate of four percent (4%) compounded

annually from the date of violation until paid. Lessee is not liable for a violation of this section by a subsidiary, affiliate, tenant or franchisee of the Lessee or by a person with whom such Lessee contracts.

8.10 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.

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

8.12 Right of Offset. 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 Lessee, 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.

[Signature Page to Follow]

EXECUTED in duplicate originals the ____ day of _____, 2018.

CITY OF COPPELL, TEXAS

By: _____
Karen Selbo Hunt, Mayor

Attest:

By: _____
Christel Pettinos, City Secretary

Approved as to Form:

By: _____
City Attorney

EXECUTED in duplicate originals the ____ day of _____, 2018.

NORWEX USA, INC.

By: _____
Kristi Hubbard, President

EXHIBIT “A”

(Property description to be attached)