

TAX ABATEMENT AGREEMENT
BETWEEN THE
CITY OF TEXAS CITY
AND
DEL PAPA REALTY HOLDINGS, LP
FOR
A REINVESTMENT ZONE
LOCATED NEAR THE NORTHWEST
INTERSECTION OF
CENTURY BOULEVARD AND INTERSTATE 45
TEXAS CITY, TEXAS

DATE: January 19, 2011

EXHIBIT "A"

LIST OF EXHIBITS

- Exhibit "A"** Application for Tax Abatement, including Map and listing of improvements, submitted by Del Papa Realty Holdings, LP
- Exhibit "B"** Reinvestment Zone, description.
- Exhibit "C"** Appraised Value of Subject Property as supplied by Galveston Central Appraisal District is \$2,254,059 as provided by GCAD website.
- Exhibit "D"** Resolution No. 11-004 of the City Commission of the City of Texas City, Texas, authorizing the Mayor to negotiate and execute a Tax Abatement Agreement with the Applicant, which is in accordance with the City's "Guidelines and Criteria for Granting Tax Abatement in the City of Texas City."

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**AGREEMENT FOR TAX ABATEMENT OF PROPERTY
IN A REINVESTMENT ZONE
LOCATED NEAR THE NORTHWEST INTERSECTION OF
CENTURY BOULEVARD AND INTERSTATE 45
TEXAS CITY, TEXAS
BETWEEN DEL PAPA REALTY HOLDINGS, LP
AND THE CITY OF TEXAS CITY**

**THE STATE OF TEXAS §
 §
COUNTY OF GALVESTON §**

This Tax Abatement Agreement hereinafter referred to as the “Agreement,” is entered into pursuant to the authority granted under **Chapter 312, Property Redevelopment and Tax Abatement Act, Tax Code, V.T.C.A.**, by and between the City of Texas City, Galveston County, Texas and Del Papa Realty Holdings, LP, hereinafter known as “Applicant.” Said property is located in a Reinvestment Zone located near the northwest intersection of Century Boulevard and I-45 in Texas City, Galveston County, Texas.

The City of Texas City’s **Tax Abatement Guidelines and Criteria October 6, 2010 through October 5, 2012**, for granting a tax abatement in the City of Texas City, was adopted by Resolution No. 10-102, and amended by Resolution No. 11-002, by the City Commission of the City of Texas City. All definitions and terms set forth therein are applicable to this Agreement.

**SECTION I
DEFINITIONS**

(a) **Abatement**: The full or partial exemption from ad valorem taxes of both new facilities and structures and for the expansion or modernization of existing facilities and structures in the Reinvestment Zone.

(b) **Affected Jurisdiction**: The City of Texas City and every eligible taxing unit that it includes within its boundaries; real property that is to be included in a proposed Reinvestment zone.

(c) **Agreement**: A contractual Agreement between a property owner and the City of Texas City for the purposes of tax abatement.

(d) **Base Year Value**: The assessed value of eligible property January 1, preceding the execution of the Agreement, plus the agreed upon value of eligible property improvements made after January 1, but before the execution of the Agreement.

(e) **Deferred Maintenance**: Improvements necessary for continued operations, which do not improve productivity or alter the process technology.

(f) **Distribution Center**: Buildings and structures, including fixed machinery and equipment, used or to be used primarily to receive, store, service or distribute goods or materials owned by the Facility operator where a majority of the goods or services are distributed to points beyond Galveston County.

(g) **Expansion**: The addition of buildings, structures, machinery or equipment for purposes of increasing production capacity.

(h) **Facility**: Property improvements completed or in the process of construction which together comprise an integral whole.

(i) **Manufacturing Facility**: Buildings and structures, including machinery and equipment, the primary purpose of which is or will be the manufacture of tangible goods or materials or the processing of such goods or materials by physical or chemical change.

(j) **Modernization**: A complete or partial demolition of facilities and the complete or partial reconstruction or installation of a facility of similar or expanded production capacity. Modernization may result from the construction, alteration, or installation of buildings, structures, machinery or equipment. Modernization shall include improvements for the purpose of increasing productivity or updating the technology of machinery and equipment, or both.

(k) **New Facility or Structure**: A property previously undeveloped, which is placed into service by means other than or in conjunction with expansion or modernization.

(l) **Other Basic Industry**: Buildings and structures, including fixed machinery and equipment, not elsewhere described, used or to be used for the production of products which primarily serve a market outside Galveston County.

(m) **Productive Life**: The number of years a property improvement is expected to be in service in a facility.

(n) **Research Facility**: Buildings and structures, including machinery and equipment, used or to be used primarily for research or experimentation to improve or develop new tangible goods or materials or to improve or develop the production processes thereto.

(o) **Regional Service Facility**: Buildings and structures, including machinery and equipment, used or to be used to service goods where a majority of the goods being serviced originate outside of Galveston County.

(p) **Permanent Job**: One hundred fifty (150) full time jobs after construction and during the abatement period.

SECTION II **ABATEMENT AUTHORIZED**

The City authorizes a tax abatement for Applicant for the project stated in the Application, attached as Exhibit A hereto, pursuant to the terms and conditions of this Agreement and applicable laws.

(a) **Eligible Property**: Tax abatement may be extended to the value of buildings, structures, fixed machinery and equipment, site improvements plus the office space and related fixed improvements necessary to the operation and administration of the facility. The value of all property shall be the appraised value of each year as determined by the Central Appraisal District.

(b) **Ineligible Property**: The following types of property shall be fully taxable and ineligible for tax abatement: land; inventories; supplies; tools; furnishings and other forms of movable personal property; vehicles; vessels; aircraft; housing; hotel accommodations; furniture; deferred maintenance investments; property to be rented or leased, except as specifically provided for in Section II(c); improvements for the generation or transmission of electrical energy not wholly consumed by a new facility or expansion; any improvements, including those to produce, store or distribute natural gas, fluids or gases, which are not integral to the operation of the facility; improvements to real property that have a productive life of less than 15 years; and property owned or used by the State of Texas or its political subdivisions or by any organization owned, operated or directed by a political subdivision of the State of Texas.

(c) **Value and Term of Tax Abatement**:

(1) Tax abatement shall be granted effective with the January 1 valuation date

immediately following the date of execution of the Agreement. If the period of construction exceeds one year, the facility shall be considered completed for purposes of abatement, and in no case shall the period of abatement, inclusive of construction and completion, exceed SEVEN years.

- (2) In the event the Applicant plans the removal in whole or in part of existing improvements in connection with the construction of new eligible properties, tax abatement shall be reduced from the level provided for herein. The percentage to be abated shall be found as follows: ascertain the appraised value of the improvements to be removed as of January 1, immediately preceding the date of the application; subtract said appraised value from the amount of the eligible properties to be constructed; then divide the remainder by the said amount of eligible properties to be constructed to find the percentage of abatement of the value of such eligible properties.

(d) **Minimum Employment Qualifications:** In order to be eligible for designation as a reinvestment zone and receive tax abatement of the planned improvement, Applicant must create full-time employment for at least ten (10) new people on a permanent basis; or it must retain full-time employment for at least thirty (30) people on a permanent basis. "Full-time" employment shall mean forty (40) hours per week or equivalent. In addition, the Applicant must document and satisfactorily evidence that tax abatement is necessary to maintain its competitiveness on the local, state, national or world markets.

(e) **Economic Qualifications:** The value of improvements has been represented to exceed \$15,000,000.00. Said abatement shall occur as follows:

- (1) For construction of eligible property exceeding \$15,000,000.00, the percentage of tax abated for the total amount of the property shall be abated for a period of five (5) years as follows:

Year 1-	0%
Year 2-	20%
Year 3-5	20%

(f) **Taxability:** From the execution of the abatement to the end of the Agreement period, taxes shall be payable as follows:

- (1) The value of ineligible property as provided in *Section II(f)* of the *City of Texas City Tax Abatement Guidelines and Criteria October 6, 2010 through October 5, 2012* shall be fully taxable;
- (2) The base year value of existing eligible property as determined each year shall be fully taxable; and,
- (3) The additional value of the new eligible property shall be taxable in the manner described in *Section II(h)* of the *City of Texas City Tax Abatement Guidelines and Criteria October 6, 2010 through October 5, 2012*.

(g) **Local Employment, Purchase, Wage and Residence Requirements:**

Applicant agrees that the hiring practices shall be as follows:

- (1) Exempt employees, as defined by Federal wage and hour laws, may be excluded from the employment wage requirements herein below.
- (2) Employment and wage rates, including benefits, shall be in accordance with those established in the **Davis-Bacon Act**. Apprentices registered with the U.S. Department of Labor, Bureau of Apprenticeship Training, shall receive wages for the particular craft as established by the Bureau of Apprenticeship Training.
- (3) “Buy Local” Provision. Each recipient of property tax abatement shall additionally agree to give preference and priority to local manufacturers, suppliers, contractors and labor, except where not reasonably possible to do so without added expense, substantial inconvenience, or sacrifice in operating efficiency. In any such exception cases involving purchases over \$10,000.00, a justification for such purchase shall be included in the annual report. Each recipient shall further acknowledge that it is a legal and moral obligation of persons receiving property tax abatements to favor local manufacturers, suppliers, contractors and labor, all other factors being equal. For the purposes of this provision, the term “local” as used to describe manufacturers, suppliers, contractors and labor shall include firms, businesses, and persons who reside in or maintain an office in Texas City or Galveston County, Texas. In the event of a breach of the buy-local provision, the percentage of abatement shall be proportionately reduced equal to the amount the disqualified contract bears to the total construction cost for the project.

- (4) Local purchases/contracts shall also include office space, medical, dental, realtor, and other professional services, including, but not limited to, use of local financial institutions, accountants, attorneys, employment agencies, etc.
- (5) Prebid meetings must be held between owner and potential local bidders and suppliers of services and materials.

(h) **Incentive Abatements:** In addition to the 20% abatement offered as a result of “Economic Qualifications” provided for herein, Applicant shall receive the following incentive abatements.

New Facility/Structure: The facility is a “New Facility or Structure” as provided for in the City’s tax abatement guidelines and as such qualifies for a further negotiated abatement of 70%.

Local Residency Incentive: The Owner shall compile a list annually of the top 25 salaried employees (or top 25% of employees, whichever is less) who spend at least 50% of their time at the facility, including the Owner/Applicant's local chief executive officer/general manager. The Owner/Applicant shall be entitled to a further tax abatement of up to 20% depending on the percentage of these top 25 salaried employees who reside within the City limits of the City of Texas City. For the purpose of this agreement, Del Papa has one qualifying employee within the top 25 employees and will receive an additional 1% incentive for years 1 through 5.

Total Tax Abatement: Combined Economic Qualifications and Incentive Abatements.

Year 1-	71%
Year 2-	91%
Year 3-5	91%

(i) **Maximum Abatement:** In no instance shall the Owner/Applicant receive more than 100% abatement. In the event of a default, any percentage of recapture shall be deducted from the 100%, regardless if the Owner/Applicant qualified initially for more than 100% abatement. For example, if the Owner/Applicant qualifies initially for 120% abatement, it shall only receive 100% abatement. If, during the term of the Agreement, the Owner/Applicant defaults and loses a portion of the abatement the Owner/Applicant shall only be entitled to 80% abatement, even though initially the Owner/Applicant was eligible for “120%” abatement.

SECTION III
SUBJECT PROPERTY

The Texas City Reinvestment Zone, is an area wholly within the City of Texas City, Texas, fully described in Exhibit "B" attached hereto and made a part hereof. Applicant's property is wholly within the Reinvestment Zone. The existing uses and conditions of Applicant's real property are shown in Exhibit "A."

The Galveston Central Appraisal District shall establish values for the subject property as of January 1, 2010, and these values shall be attached as Exhibit "C," when available and shall be a part of this Agreement for all purposes.

SECTION IV
VALUE AND TERM OF AGREEMENT

The Agreement shall be effective when executed by all parties.

This tax abatement shall be effective with the January 1 valuation date immediately following date of execution by the parties. The *Construction Phase* shall be as defined herein, however, in no case shall the period of abatement, exclusive of the *Construction Phase*, exceed the years specified under Section II (e).

This Agreement shall be applicable to *New Eligible Property* and those supplemental improvements to the *New Eligible Property* added or constructed during the post-construction abatement period. Abatement shall commence on January 1, 2012 and expire January 1, 2017, at which time the Galveston County Central Appraisal District will add the value of the improvement to the tax rolls.

SECTION V
TAXABILITY

During the period that this tax abatement is effective, taxes shall be payable as follows:

- (1) The value of *Ineligible Property* shall be fully taxable;
- (2) The *Certified Appraised Value* of property subject to tax, as established by Galveston Central Appraisal District as of January 1, 2011, shall be fully taxable for 2011. The appraised value of property subject to tax shall be re-determined by the Galveston Central Appraisal District as of January 1 of each year during the period of abatement. Such value, as re-determined each year, shall be fully taxable.

However, the full value of *New Eligible Property* shall be abated as provided by terms therein.

The Chief Appraiser of the Galveston Central Appraisal District shall annually determine (i) the taxable value pursuant to the terms of this abatement of the real and personal property comprising *New Eligible Property* located in a reinvestment zone (Reinvestment Zone), and (ii) the full taxable value without abatement of the real and personal property comprising Owner/Applicant's property. The Chief Appraiser shall record both the abated taxable value and the full taxable value in the appraisal records. The full taxable value figure listed in the appraisal records shall be used to compute the amount of abated taxes that are required to be recaptured and paid in the event this Agreement is terminated in a manner that results in recapture. Each year the Owner/Applicant shall furnish the Chief Appraiser with such information pursuant to Chapter 22, Renditions and other Reports, Tax Code (V.T.C.A.), as may be necessary for the administration of the abatement specified herein.

SECTION VI **CONTEMPLATED IMPROVEMENTS**

Shown in Exhibit "A" is:

- (1) A map showing the proposed improvements and uses in the subject property; and
- (2) A listing of the kinds, number, and location of all proposed improvements to said property.

Del Papa Distributing Company has proposed to construct a "state of the art" beverage distribution facility in Texas City, Texas. This exterior design of Nature Texas stone veneer outlining the architectural glass walls of high performance reflective glass in black aluminum frames will front directly along Interstate 45. The remainder of the office and warehouse will be constructed with concrete tilt-up. The tilt up concrete panels will have crisp accent reveals on all sides and sealed with high performance paint. Some of the many design features include a cross-dock for efficient product flow, 24 loading/receiving docks, and a 28-foot clear height in the warehouse for high storage racking system.



This project will be constructed with energy efficiency in mind. Items like high bay fluorescent lighting, mechanical system, load bearing insulated concrete tilt-up walls, cool roofing membrane with R24 insulation and reflective glazing system are just a few of the many sustainable systems.

The 26.150 acre site will accommodate a two-story Office Building attached to an air-conditioned Warehouse; the size is comparable to a major league baseball field. The Warehouse 6-inch reinforced slab will have 40' x 40' structural bays and glossy super flat floor to control dust and breakage. The Office will feature an open floor plan, 6,000 s.f. Hospitality Area, internet café style Break Room, Fitness Center, 2-story Lobby with ornamental stair and an atrium style corridor that will lead to all departments.

The Warehouse Ancillary Space will include the main graphics center for the entire company. This center will produce and distribute all sign making and marketing materials for retail displays. The distribution center will be protected by an EFSR sprinkler system.

The buildings information network will consist of new technologies integrating Wi-Fi, Security Systems, HVAC, Lighting, AV/Video Conferencing, Warehouse Management and Delivery handheld devices all in one IP network cable. This will provide immediate paybacks in power consumption, productivity and protect its people and assets.

The entire Fleet Area with 16 dock positions and 18 parking stalls will be secured by an 8 foot high chain link fence and gate. The property will be purchased with future growth in mind. An additional 66,000 s.f. of Warehouse expansion is accounted for within the site design.

The rear of the site has access to Century Blvd. where T & S Fleet Services is proposing to build a 9,000 s.f. Vehicle Maintenance Facility. This facility will include an open office, 2-bay Shop and Vehicle Storage allowing for growth to include two additional maintenance bays.

The exterior building materials will be concrete tilt-up painted with similar design features of the Distribution Center. This business will maintain all of Del Papa's fleet from Oil & Lube and Fueling.

During the *Construction Phase*, the Applicant may make such change orders to the project as are reasonably necessary, but Applicant agrees to use the property consistent with the use specified in the application, which is consistent with the economic development goals of the City of Texas City, Texas.

All improvements shall be completed in accordance with all applicable laws, ordinances, rules or regulations. Failure to comply in any material respect may serve as a breach of this Agreement.

SECTION VII

EVENT OF DEFAULT

During the abatement period covered by this Agreement Texas City may declare a default thereunder by the Applicant:

- (1) If the Applicant fails to commence construction of the New Facility described in Part VI, above, and the Application attached hereto as Exhibit "A" within two years from the date this Agreement is executed;
- (2) If the Applicant fails to construct the New Facility substantially as described in Part VI, above;
- (3) If the Applicant refuses or neglects to comply in any material respect with any of the terms of this Agreement or the Application (Exhibit "A") and Guidelines (as attached),

made a part of this Agreement for all purposes;

- (4) If the Applicant allows ad valorem taxes owed to the City of Texas City or affected jurisdictions to become delinquent and fail to timely and properly follow the legal procedures for the company's or individual's protest and/or contest; or
- (5) If any representation made by the Applicant(s) in this Agreement is false or misleading in any material respect.

Should Texas City determine the Applicant to be in material default during the term of this Agreement, Texas City shall notify Applicant in writing within sixty (60) days of such determination, and if such default is not cured within sixty (60) days from the date of such notice ("Cure Period"), then this Agreement may be terminated; provided, however, that in the case of a default that for causes beyond Applicant's reasonable control cannot with due diligence be cured within such sixty-day (60) period, the Cure Period shall be deemed extended if Applicant (i) shall immediately, upon the receipt of such notice, advise Texas City of Applicant's intention to institute steps necessary to cure such default and (ii) shall specify in writing and institute thereafter and proceed to completion with reasonable dispatch all steps necessary to cure same.

If the City should terminate this Agreement pursuant to the terms of this Agreement, it shall provide Applicant written notice of such termination, and except where provided otherwise, all taxes otherwise abated by virtue of this Agreement will be recaptured and paid to Texas City within sixty (60) days notice of the termination. If Applicant believes that such termination was improper, Applicant may file suit in the Galveston County District Courts appealing such termination within sixty (60) days after receipt from Texas City of written notice of the termination. If an appeal suit is filed, Applicant shall remit to Texas City within sixty (60) days after receipt of the notice of termination, any additional and/or recaptured taxes as may be payable during the pendency of the litigation. (Section 42.08 Forfeiture of Remedy for Nonpayment of Taxes, Tax Code (V.T.C.A.)). If the final determination of the appeal increases Applicant's tax liability above the amount of tax paid, Applicant shall remit the additional tax to Texas City. (Section 42.42, Texas Tax Code, as may be amended). If the final determination of the appeal decreases Applicant's tax liability, Texas City shall refund to Applicant the difference between the amount of tax paid and the amount of tax for which Applicant is liable. (Section 42.43 Tax Code, as may be amended).

SECTION VIII
DIRECT PAYMENT PERMIT FOR SALES TAX

To assure Texas City of receipt of local sales tax from construction of said facility, Applicant shall supply to the City a current Direct Payment Permit filed with the Comptroller of Public Accounts, and where applicable, shall require its contractors and subcontractors to also file for, or present such pertinent permit to Texas City.

Applicant shall promptly provide a copy of their Direct Pay Tax Permit to Texas City. Applicant shall use due diligence to ensure Texas City that contractors and subcontractors constructing said facility shall provide taxable materials used in such construction under a separate contract as defined by Texas Administrative Code, Section 3.291, as amended. Such taxable materials shall be purchased by Applicant free of state and local sales taxes pursuant to Applicant's issuance of a direct payment exemption certificate to contractor. Applicant shall then accrue and pay state sales or use taxes and Texas City sales or use taxes calculated based on the taxable materials purchased.

SECTION IX
UTILIZATION OF LOCAL WORKFORCE AND SUPPLIERS

It is contemplated that this project will bring 176 new jobs to Applicant's Facility site in Texas City. It is further contemplated that this project will provide up to a peak of 170 construction jobs.

All things being equal, Applicant and its contractors and subcontractors during and after the construction shall give preference to the purchase of materials and supplies from local businesses provided quality, price, and availability are comparable, and to the hiring of the local workforce as prescribed in section II (g) of this Agreement.

SECTION X
RECAPTURE

(a) In the event that the facility is completed and begins producing product or service, but subsequently discontinues producing product or service for any reason exempting fire, explosion or other casualty or accident or natural disaster, for a period of one year during the abatement period, then the Agreement shall terminate and so shall the abatement of the taxes for the calendar year during which the facility no longer produces. The taxes otherwise abated for the calendar year shall be paid to the affected jurisdiction and other taxing agencies within sixty (60) days from the date of termination.

(b) Should the City of Texas City determine that the company or individual is in default according to the terms and conditions of its Agreement, the City shall notify the company or individual in writing at the address stated in the Agreement, and, if the default is not cured within sixty (60) days from the date of notice (“Cure Period”), the Agreement may be terminated.

(c) In the event that the company or individual:

- (1) Allows its ad valorem taxes owed the City of Texas City or affected jurisdictions to become delinquent and fails to timely and properly follow the legal procedures for the company's or individual's protest and/or contest; or
- (2) Violates any of the terms and conditions of the Abatement Agreement and fails to cure any default with the Cure Period, the Agreement then may be terminated, and all taxes previously abated by virtue of the Agreement shall be recaptured and paid within sixty (60) days of the termination.

(d) Payment in Lieu of Taxes. If, during the period of this abatement, any Federal or State law provides an additional tax exemption for the property that is already the subject of this agreement, Applicant agrees to decline that tax exemption during the period of this abatement. If Applicant is unable to decline that tax exemption, Applicant agrees to pay the taxes, or payment in lieu of taxes, on the reduction of property tax revenue to the City that is the result of said exemption. Any payment in lieu of taxes shall be due on or before November 15 of the year in which the payment is due.

At the end of the abatement period, Applicant further agrees to decline said tax exemption or pay taxes or payment in lieu of taxes, for a further term that mirrors the term of the original abatement period.

SECTION XI **ASSIGNMENT**

Tax abatement may be transferred and assigned by the holder to a new owner or lessee of the same facility upon the approval by Resolution of the City Commission, subject to the financial capacity of the assignee, and provided all conditions and obligations in the Tax Abatement Agreement are guaranteed by the execution of a new contractual agreement with the City of Texas City. No assignment or transfer shall be approved if the parties to the existing Agreement, the new owner or new lessee are liable to the City of Texas City or any affected jurisdiction or other taxing agency for

outstanding taxes or other obligations. Assignment fees of 1% may be required, with a maximum of \$10,000.00, and approval by the City Commission shall not be unreasonably withheld.

SECTION XII **ADMINISTRATION**

(a) The Mayor of Texas City, or his designated representative, shall be responsible for the administration of this Agreement. Prior to the commencement of construction, the Owner/Applicant shall meet with Texas City officials to discuss the terms and conditions of the Abatement Agreement.

(b) During construction, the Applicant shall submit monthly reports to verify compliance with the Abatement Agreement. The reports shall be subject to third-party audits, which shall be conducted by the City at the Applicant's expense.

(c) The City of Texas City shall evaluate each facility that receives an abatement to ensure compliance with the Agreement. The Applicant shall maintain appropriate records of the employees affected by this abatement, including, but not limited to, proof of employees' legal residence; proof of immigration-resident status, if applicable; or such other documentation that may be required to document compliance with the Agreement.

(d) Annual Evaluation and Reports. Upon completion of construction, the City of Texas City, individually or in conjunction with other affected jurisdictions, shall annually evaluate each Facility receiving abatement, to ensure compliance with the Agreement and report possible violations of the Agreement. The Applicant shall certify to the City Commission of the City of Texas City on or before April 1 each year that the Applicant is in compliance with each applicable term of the agreement. Additionally, during the first four years of the property tax abatement, Applicant shall provide to the City an annual report covering those items listed on Schedule I of the City's **Tax Abatement Guidelines and Criteria October 6, 2010 through October 5, 2012** in order to document its efforts to acquire goods and services on a local basis. Such annual report shall be prepared on a calendar year basis and shall be submitted to the City no later than ninety (90) days following the end of each calendar year. The annual report shall be accompanied by a review letter prepared by an independent accounting firm that has reviewed the report.

(e) All requirements of the Abatement Agreement shall inure to Applicant's contractors/subcontractors.

(f) A third-party audit of the Applicant's compliance with the Abatement Agreement may be conducted at any time the City deems reasonably necessary at the Applicant's expense.

(g) No extension to the period of tax abatement will be granted.

(h) Applicant shall allow employees and/or representatives of Texas City who have been designated by the Mayor or his designee to have access to this property during the term of this Agreement in order to inspect the facility or records pertaining to the New Eligible Property to determine compliance with the terms and conditions of this Agreement and ensure that the improvements and/or repairs are made according to the specifications and conditions of this Agreement. Reasonable notice of any inspections and/or audits made with one or more representatives of the Applicant and in accordance with Applicant's safety standards shall be given, but the City reserves the right to conduct inspection and/or audits without notice. Should tax entities deem an audit necessary, such audit shall be at the expense of Applicant.

(i) Applicant shall, upon execution of this Agreement, pay City a one-time compliance oversight fee of five thousand dollars (\$5,000.00).

SECTION XIII
NOTICE

Any notice required to be given under the provision of this Agreement shall be in writing and shall be duly served when it shall have been deposited, enclosed in a wrapper with the proper postage prepaid thereon, and duly registered or certified, return receipt requested, in a United States Post Office, addressed to the City or Applicant at the following addresses. If mailed, any notice or communication shall be deemed to be received three days after the date of deposit in the United States Mail. Unless otherwise provided in this Agreement, all notices shall be delivered to the following addresses:

To the Applicant:

Del Papa Distributing Co.
Attn: Larry Del Papa
6918 Broadway
Galveston, TX 77554

To Texas City:

Mayor
City of Texas City
P.O. Box 2608
Texas City, TX 77592-2608
Tel: (409) 643-5902
Fax: (409) 948-6089

Either party may designate a different address by giving the other party ten days' written notice.

SECTION XIV
JURISDICTION

All causes of action and disputes arising in and out of this Agreement or the administration of this Agreement shall have jurisdiction in Galveston County, Texas. This Agreement is deemed to have been executed in Texas City, Galveston County, Texas regardless of where the parties are located at time of signing.

SECTION XV
DATE

Texas City executes this Agreement by and through the Mayor of Texas City acting pursuant to Resolution No.11-004 adopted on the 19th day of January, 2011, so authorizing, and the effective date of this Agreement is the date of the countersignature of the Mayor of Texas City.

This Agreement has been executed by the parties in multiple originals, each having full force and effect.

DEL PAPA REALTY HOLDINGS, LP
By: LJD Realty, LLC, a Texas Limited
Liability Company, General Partner

Larry Del Papa
Its Managing Member

Date: _____

CITY OF TEXAS CITY, TEXAS

By: _____
Matthew T. Doyle, Mayor

Date: _____

*Resolution 11-004
Adopted 19th day of January, 2011*

ATTEST :

Nicholas J. Finan
City Secretary

APPROVED AS TO FORM:

Ronald F. Plackemeier
City Attorney


EXHIBIT A

COMPANY REPRESENTATIVE TO BE CONTACTED

Name: *J Paul Appling* **Title:** *V.P. Financial Services* **Phone:** *(409) 741-4416*

Address: *6702 Broadway Galveston, Texas 77554*

Signature of Company Official



INSTRUCTIONS

Applicants and projects must meet the requirements established by the CITY OF TEXAS CITY, TEXAS TAX ABATEMENT PLAN.

The "Guidelines and Criteria", for example, set out regulations governing eligible facilities, eligible and ineligible improvements, terms and economic qualifications. Conformance with all sections, however, is required for eligibility.

APPLICANT INFORMATION

The taxing unit may consider applicant's financial capacity in determining whether to enter into an Abatement Agreement. Established companies for which public information is available, or the wholly owned businesses of such companies, should include with the application a copy of their latest annual report to stockholders. Other applicants and new companies should attach a statement showing when the company was established, business references (*name, contact and telephone number of principal bank, accountant and attorney*) and may be required to submit an audited financial statement and business plan.

PROJECT INFORMATION

Only facilities listed in *Section II* of the "Guidelines and Criteria" may receive abatement. Check the "Guidelines and Criteria" definitions in *Section I* to see if the project qualifies.

ECONOMIC INFORMATION

Permanent Employment Estimates -In estimating the permanent employment, include the total number of jobs retained or created at this site by your firm as well as known permanent jobs of service contractors required for operation.

Estimated Appraised Value on Site -The value January I, preceding abatement, should be the value established by the Galveston Central Appraisal District. If the applicant must estimate value because the taxable value is not known or is combined with other properties under a single tax account, please so state. To qualify, the abated properties must be expected to result in an addition to the tax base after the period of abatement expires. Projections of value should be a "best estimate" based on tax ability in Texas. The projection of project values not abated should include personal property and ineligible project-related improvements such as office space in excess of that used for plant administration, housing, etc. Current and anticipated exemptions (e.g. pollution reducing) should be clearly identified.

**APPLICATION FOR TAX ABATEMENT OF PROPERTY
LOCATED IN THE CITY OF TEXAS CITY**

The filing of this document acknowledges familiarity and conformance with "Guidelines and Criteria for Granting Tax Abatement in a Reinvestment Zone Created in the City Limits of Texas City, Texas" (*attached*). This application will become part of the Agreement, and any knowingly false representations will be grounds for the City of Texas City to void this Agreement. An original copy of this request should be submitted to City Secretary, City of Texas City, 1801 Ninth Avenue North, Texas City, TX 77590.

APPLICANT INFORMATION

Company Name: Del Papa Realty Holdings, LP

Address: 410 I-H 10 South / Beaumont, Texas 77707

Phone: 888 433 5727

Number of Employees: 330

Annual Sales (period): *\$160 million*

() Corporation (**X**) Partnership () Proprietorship

MUST SUBMIT ANNUAL REPORT: Del Papa was established in 1910. We just celebrated our 100th year in business in 2010. We sell approximately 10,000,000 case equivalents of beverages annually with net sales of approximately \$160,000,000. Our share of market is 58% and growing. Bank, Accountant, and Attorney information is attached on the back page of application.

PROJECT INFORMATION

Type of Facility (see instructions): () Manufacturing (**X**) Distribution Center () Research Facility
() Regional Services Facility () Other:

Location Address and Legal Description: Proposed site to be located on Century Boulevard

between FM 1764 and Interstate 45 and the metes and bounds legal description is attached hereto

as Exhibit "A" and made a part hereof by this reference, which on platting will be known as Lot 1

of Block 1 of Del Papa Distribution Subdivision, a subdivision of 26.15 acres of land, situated in the

W.K. Wilson League, Abstract No. 208, in the City of Texas City, Galveston County, Texas,

according to the map of plat of said addition of record in the Office of the County Clerk of

Galveston County, Texas

School District: Texas City Independent School District

College District: College of the Mainland

City or Town: Texas City

ATTACH MAP SHOWING PROPOSED SITE.

Describe Product or Service to be provided: Regional distribution center for the receipt, storage and distribution of beverages to a multi county area.

Project Description: Attach statement fully explaining project. Describe existing site and improvements. Describe all proposed improvements, and provide a list of improvements and equipment for which abatement is requested.

() New Plant () Expansion () Modernization

ECONOMIC INFORMATION

Construction Estimates: Start Date (Month/Year):	<u>March 2011</u>
Completion Date (Month / Year)	<u>March 2012</u>
Construction Man Hours:	<u>175,000 man hours</u>
Peak Construction Jobs (Number):	<u>170</u>

IF MODERNIZATION:

Estimated Economic Life of Existing Plant is years. **n/a**

Added Economic Life From Modernization is years. **n/a**

Permanent Employment Estimates (FTEs):

Current Plant Employment: 0

Number of Plant Jobs: () Retained (X) Created*

At Start/Opening: 176 in Year: 2012

5 Years into Operation: 191 in Year 2017

*We will bring all current jobs to Texas City location.

Estimated Appraised Value of Site	<u>Personal Property</u>	<u>Improvements</u>	<u>Land</u>
Value January 1 preceeding abatement agreement	\$ 0	\$0	\$2.6 m*
Estimated value of abated properties after abatement expires	\$ 4.0 m*	\$18 m*	\$2.6 m*
Value at completion of project (includes personal property and project improvements not subject to abatement)	\$ 4.0 m*	\$18 m*	\$2.6 m*

* Estimated CAD Values

Personal Property includes 13 Tractor Trailers, 32 sales utility vehicles, 4 eight bay trucks, 27 pallet jacks, and 8 forklifts as well as Furniture and Fixtures and Equipment.

Project Description: Attach statement fully explaining project. Describe existing site and improvements. Describe all proposed improvements, and provide a list of improvements and equipment for which abatement is requested.

Del Papa Distributing Company, Inc. (Del Papa Distributing) is seeking to build a modern state of the art beverage distribution center on the mainland to give us more options to better service our overall sales and marketing geography. A move to Texas City would also position us closer to where our business is growing today and in the future both in terms of volume and number of retail outlets we service. We would have greater access to our customers and they in turn would have better access to us and our facilities. A centralized location on the Mainland would also make it feasible for us to service outlying territories that are now being delivered out of our Beaumont and Victoria Distribution Centers. A new distribution center will also give us the opportunity to incorporate the best and most efficient flow of activities in a distribution environment vs. expanding the 30 year old building we operate out of today. We will include energy efficient construction materials in the design as well as future building expansion options.

The proposed site is located on Century Boulevard between FM 1764 and Interstate 45. The acreage is not in a Tax Reinvestment Zone (TIRZ) nor does it lie in a Municipal Utility District. At the present time no city water and sewer service has been brought to the undeveloped tract.

On this site Del Papa Realty Holdings LP (Del Papa Realty) will construct two buildings for its office, warehouse and vehicle maintenance needs. The office and controlled environment warehouse building will be a tilt wall building encompassing approximately 175,000 square feet. The stand alone vehicle maintenance building its estimated will be around 8,000 square feet.

The distribution center will be owned by Del Papa Realty, which is a Texas limited partnership and an entity affiliated with Del Papa Distributing. Del Papa Realty owns real estate leased for its operations by Del Papa Distributing which is the entity that will operate the distribution facility and employ the employees working at the facility.

Del Papa Distributing is requesting abatement of 20% under section II (j) (2) and an additional 70% Section II (m) (1) of the City's Tax Abatement Guidelines.

Business Associates:

Bank:

Gary Mingle
Bank of America
700 Louisiana
Houston, Tex. 77002
713-247-6447

Accountant:

David Cook
Cook-Parker
3560 Delaware
Suite 202
Beaumont, Tex. 77726
409-899-1040

Attorney:

Dennis Bettison
Bettison, Doyell, Apfel, & Guarino
6710 Stewart Road
Suite 300
Galveston Tex. 77551
409-744-9783

Current Owner		Legal Description		Exemptions		Assessed					
TC152 INVESTMENTS LTD (0562516) 7670 WOODWAY STE 160 HOUSTON, TX 77063		ABST 208 W K WILSON 151.287 ACS OUT OF E 1/2 WATERMAN S/D SOUTH FM 1764		AG		Unavailable					
				Exemptions		Homestead Cap					
				S11, GGA, J05, C31, RFL, D02		N/A					
Site Address				History/Information							
				2010	2009	2008	2007				
				Imp HS	\$0	\$0	\$0				
				Imp NHS	\$0	\$0	\$0				
				Land HS	\$0	\$0	\$0				
				Land NHS	\$0	\$0	\$0				
				Ag Mkt	\$13,040,530	\$13,040,530	\$13,040,530				
				Ag Use	\$6,060	\$6,060	\$6,060				
				Tim Mkt	\$0	\$0	\$0				
				Tim Use	\$0	\$0	\$0				
				HS Cap	-	-	-				
				Assessed	\$6,060	\$6,060	\$6,060				
Building/Attributes						Improvements					
Construction	Foundation	Exterior	Interior	Roof	Flooding	Type	Description	Area	Year Built	Eff Year	Value
Heat/AC	Baths	Fireplace	Year Built	Rooms	Bedrooms						
Land Segments											
SRTB	Description	Area	Market	Ag Value							
D1	Native Pasture/mostly Clean	22.03900									
D1	Native Pasture/mostly Clean	22.03900									
D1	Native Pasture/mostly Clean	18.64100									
D1	Native Pasture/mostly Clean	18.64100									
D1	Native Pasture/mostly Clean	36.731									
D1	Native Pasture/mostly Clean	29.913									
D1	Native Pasture/mostly Clean	3.283									



EXHIBIT B

**METES AND BOUNDS DESCRIPTION
OF 26.150 ACRES OF LAND**

Being 26.150 acres of land situated in the W.K. Wilson League, Abstract No. 208, Galveston County, Texas, being a portion of that certain called 152.256 acre tract of land conveyed to TC152 Investments, Ltd. by deed and recorded under Galveston County Clerk's File (G.C.C.F.) No. 2005057207 of the Real Property Records of Galveston County Texas (R.P.R.G.C.T.); said 26.150 acres being more particularly described by metes and bounds as follows:

COMMENCING at a concrete monument found for a southwesterly corner of said 152.256 acre tract and also being the most westerly cutback corner at the intersection of the northeasterly right of way line of Interstate Highway 45 (width varies) and the westerly right of way line of Century Boulevard (formerly Johnny Palmer) (based on a width of 100.00 feet);

THENCE, North $42^{\circ}40'39''$ West, 361.63 feet along the southwesterly line of said 152.256 acre tract and the northeasterly right of way line of Interstate Highway 45 to a 5/8-inch iron rod with "GS" cap set for the **POINT OF BEGINNING** of the herein described tract, from which National Geodetic Survey monument CCA (brass disk) bears North $42^{\circ}31'36''$ East, 9,856.69 feet;

THENCE, North $42^{\circ}40'39''$ West, 931.00 feet continuing along the southwesterly line of said 152.256 acre tract and the northeasterly right of way line of Interstate Highway 45 to a set 5/8-inch iron rod with "GS" cap;

THENCE, North $47^{\circ}19'21''$ East, 830.53 feet to a set 5/8-inch iron rod with "GS" cap for an angle point;

THENCE, South $75^{\circ}47'11''$ East, 1,079.96 feet to a 5/8-inch iron rod with "GS" cap set in the easterly line of said 152.256 acre tract and the westerly right of way line of Century Boulevard;

THENCE, South $01^{\circ}54'25''$ East, 415.00 feet along the easterly line of said 152.256 acre tract and the westerly right of way line of Century Boulevard to a set 5/8-inch iron rod with "GS" cap;

THENCE, South $88^{\circ}05'35''$ West, 440.88 feet to a set 5/8-inch iron rod with "GS" cap for an angle point;

THENCE, South $47^{\circ}19'21''$ West, 815.54 feet to the **POINT OF BEGINNING** and containing 26.150 acres of land.

NOTES:

Bearing orientation based RTK GPS observations holding Long Range RTK Reference Station (LSS1) located in La Marque, Texas and related to the Texas State Plane Coordinate System NAD 83, South Central Zone.

A plat of even date accompanies this metes and bounds description.

Job No. 10-157-043

PREPARED BY:
GeoSolutions, LLC
25814 Budde Road
Spring, Texas 77380

EXHIBIT C

Owner/Buyer		Parcel Description		Exemption		Assessed					
TC152 INVESTMENTS LTD (0562516) 7670 WOODWAY STE 160 HOUSTON, TX 77063		ABST 208 W K WILSON 151.287 ACS OUT OF E 1/2 WATERMAN S/D SOUTH FM 1764		AG		Unavailable					
				S11, GGA, J05, C31, RFL, D02		N/A					
Site/Address				History Information							
				2010	2009	2008	2007				
				Imp HS	\$0	\$0	\$0				
				Imp NHS	\$0	\$0	\$0				
				Land HS	\$0	\$0	\$0				
				Land NHS	\$0	\$0	\$0				
				Ag Mkt	\$13,040,530	\$13,040,530	\$13,040,530				
				Ag Use	\$6,060	\$6,060	\$6,060				
				Tim Mkt	\$0	\$0	\$0				
				Tim Use	\$0	\$0	\$0				
				HS Cap	-	-	-				
				Assessed	\$6,060	\$6,060	\$6,060				
Building Attributes						Improvements					
Construction	Foundation	Exterior	Interior	Roof	Flooring	Type	Description	Area	Year Built	Eff Year	Value
Heat/AC	Baths	Fireplace	Year Built	Rooms	Bedrooms						
Land Segments											
SRTB	Description	Area	Market	Ag Value							
D1	Native Pasture/mostly Clean	22.03900									
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D1	Native Pasture/mostly Clean	18.64100									
D1	Native Pasture/mostly Clean	18.64100									
D1	Native Pasture/mostly Clean	36.731									
D1	Native Pasture/mostly Clean	29.913									
D1	Native Pasture/mostly Clean	3.283									

EXHIBIT D