

**TAX ABATEMENT AGREEMENT AMONG HIDALGO COUNTY,  
CINCH CONNECTORS, INC. AND  
RIDGE CBF MCALLEN II LLC**

This Tax Abatement Agreement (the "Agreement") is entered into effective as of July 10, 2012 by and between HIDALGO COUNTY, a political subdivision of the State of Texas (hereinafter referred to as the "County") duly acting herein by and through its duly authorized representatives, pursuant to an Order dated July 10, 2012 by the Hidalgo County Commissioners Court ("Commissioners Court"), CINCH CONNECTORS, INC., a Delaware corporation ("Lessee"), and RIDGE CBF MCALLEN II LLC, a Delaware limited liability company ("Lessor").

**WITNESSETH:**

WHEREAS, on the 26<sup>th</sup> day of June, 2012, the County adopted Guidelines and Criteria for Granting Tax Abatements in Hidalgo County, Texas, which are attached hereto as Exhibit "A" and incorporated herein for all purposes (as amended by the Commissioners Court through the date hereof, the "Guidelines and Criteria"); and

WHEREAS, the property identified on Exhibit "B" attached hereto (the "Property") is within an area designated as an Enterprise Zone pursuant to the Texas Enterprise Zone Act, Subchapter C, V.A.T.C., Texas Government Code § 2303 et seq., as amended, (as indicated on Exhibit "E"), which area is therefore designated as a reinvestment zone (the "Zone"), as authorized by the Property Redevelopment and Tax Abatement Act, Subchapter C, V.A.T.C., Texas Tax Code § 312 et seq., as amended (the "Act");

WHEREAS, the Guidelines and Criteria govern tax abatement agreements to be entered into by the County as contemplated by the Act; and

WHEREAS, in order to maintain and enhance the commercial and industrial economic and employment base of the County, it is in the best interest of the County to enter into this Agreement in accordance with said Act; and

WHEREAS, the Commissioners Court finds that the contemplated use of the real property within the Zone (the "Property"), the contemplated improvements to the Property in the amount as set forth in this Agreement and the other terms hereof are consistent with encouraging development of the Zone in accordance with the purposes for its creation and are in compliance with the Act and all other applicable laws; and

WHEREAS, the Commissioners Court has determined that it would be in the best interest of the County to enter into an agreement with the Lessor and the Lessee, pursuant to the Act to abate a portion of the value of the Property and the proposed improvements to be constructed thereon, along with certain eligible personal property, located on the land and used in connection with the administration or management of the operations on the Property (the “Project”).

NOW, THEREFORE, the County for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged (which consideration includes the attraction of major investment in the Zone and the expansion of primary employment that contributes to the economic development of the County and the enhancement of the tax base in the County, and Lessor and Lessee for good and valuable consideration, the adequacy and receipt of which is hereby acknowledged (which consideration includes the tax abatement set forth herein, as authorized by the Act), do hereby contract, covenant and agree as follows:

## **ARTICLE I**

### **GENERAL PROVISIONS**

1.01 Lessor represents and warrants that Lessor is the fee owner of the Property that is within the designated Zone and the Property is legally described in the attached Exhibit “B”, which Exhibit is made a part hereof for all purposes. Lessee has entered into a lease agreement (the “Lease”) for the Property.

1.02 This Agreement covers only the abatement of new eligible value created by improvements to be made on this Property within the Zone by Lessor or Lessee after the date hereof and by eligible personal property to be purchased by Lessee for or transferred by the Lessee to and installed at the Property after the date hereof in accordance with the terms hereof and the Guidelines and Criteria. Any increase in value from a reclassification or change in use of the Property or resulting from a roll-back will not be considered for abatement but will be included as part of the base value, and any other artificial increase in tax revenue or value will also be excluded from abatement. The Property is located within the Zone and is within the taxing jurisdiction of the County.

1.03 Lessor and Lessee understand that the tax abatement shall be granted based on the Capital Cost (as such term is defined in the Guidelines and Criteria) of the improvements made to the Property after the date hereof as part of the Project or Jobs (as such term is defined in the Guidelines and Criteria) created on or after the execution hereof by the Project as a whole as may be reasonably determined by the Hidalgo County Appraisal District and the County. Any tax abatement and/or recapture of taxes shall be applied to each party as if each party had entered into a separate agreement with the County.

1.04 Lessor represents and warrants that the Property is not included in an improvement project financed either in whole or in part with tax increment bonds or notes.

1.05 This Agreement is entered into subject to the rights of the holders of outstanding bonds of the County.

1.06 Lessor represents and warrants that no interest in any of the property subject to abatement of taxes under this Agreement is presently owned or leased by a member of the Hidalgo County Commissioners Court and Lessor and Lessee each agree that it shall not sell or lease an interest in the Property subject to this Agreement to any other County officer or employee, or any member of the governing body of any taxing unit joining in or adopting this Agreement, so long as this Agreement is in effect.

1.07 Lessee and Lessor represent and warrant as follows:

(a) with respect to the Property, (i) attached hereto as Exhibit "F" is a true and correct copy of the economic development agreement with the City of McAllen pursuant to which the City of McAllen has granted economic incentives pursuant to Chapter 380 of the Texas Local Government, and (ii) except as stated in (i) above, neither Lessee nor Lessor has received a tax abatement or other economic development incentives from any government body;

(b) Lessee filed the application for tax abatement with the County prior to commencement of construction as defined in the Guidelines and Criteria and that such commencement has not yet occurred;

(c) such party is duly qualified to conduct business in the State of Texas, including without limitation building the improvements and running the Project;

(d) this Agreement constitutes the valid and enforceable obligation of such party in accordance with its terms; and

(e) such party has all necessary right, title, license and authority to enter into this Agreement and the execution and performance of this Agreement by such party has been duly authorized by all necessary laws, resolutions and corporate action.

1.08 Lessee and Lessor acknowledge that the County is allowing the Lessee and Lessor additional time for compliance with the requirements in Sections IV and V of the Guidelines and Criteria, including for the submission of various materials and information still due to the County, including without limitation providing:

- (a) Descriptive list of improvements with class life (to supplement the version included with Exhibit D);
- (b) Time schedule for undertaking and completing improvements; and
- (c) Such other materials supporting the application or this Agreement as may be requested by the County.

Lessor and Lessee agree to provide the above and to fully comply with the requirements of the Guidelines and Criteria by August 10, 2012 and acknowledge and agree that that the County is entering into this Agreement on the condition that Lessor and Lessee fully comply with this provision. In the event Lessor or Lessee do not fully comply with the terms of this Section 1.08 by the specified time (without regard to the Cure Period or notice provisions of Article V), no tax abatement shall be granted and this Agreement shall terminate August 10, 2012.

1.09 The parties acknowledge and agree that (i) the County, Lessee and Verde McAllen Land LP entered into a tax abatement agreement dated December 29, 2011 (the "Prior Agreement"), with respect to a prior version of the Project, and (ii) the Prior Agreement terminated in accordance with the provisions of section 1.08 thereof on December 30, 2011, with no tax abatement being granted to the parties thereto and no further obligations from the County with respect thereto.

## **ARTICLE II**

### **IMPROVEMENTS; JOBS**

2.01 (a) Lessee agrees to conduct or cause to be conducted on and within the Property, improvements consisting of structural repairs to the existing structures on the Property, which structures Lessee and Lessor represent and warrant are Eligible Facilities as such term is defined in the Guidelines and Criteria (and which are hereafter referred to as "Eligible Facilities") to be occupied primarily by Lessee and other real property improvements as may be constructed or installed, and install therein numerous items of machinery and equipment required to operate the Project (the "Improvements" as defined in the Guidelines and Criteria).

(b) Lessor and Lessee agree the Capital Cost of the Proposed Real and Personal Property Improvements made by Lessee at the Property and eligible for abatement in accordance with the Guidelines and Criteria, including architectural and related fees shall be, at a minimum, two and a half million dollars (\$2,500,000). The approximate location of the Eligible Facilities is reflected on a preliminary site plan attached hereto as Exhibit "C" and made a part hereof for all purposes. Lessee may revise the preliminary site plan for the Property as Lessee and Lessor deem necessary and appropriate, and such revisions shall be submitted to the County.

(c) Lessee represents and warrants that the Project is expected to create approximately seventy (70) new full-time Jobs. Lessee represents and warrants that Lessee currently offers, and agrees to maintain throughout the Abatement Period (as defined below), with respect to all Jobs at the Property no less than a competitive compensation and benefits package.

2.02 Lessee, or Lessee's designee, shall submit reports to the County in accordance with section IX of the Guidelines and Criteria.

2.03 Lessee and Lessor covenant and agree that the Property shall primarily be used as a manufacturing operation to machine and produce electrical connector components. Such use may change from time to time provided such use remains within the definition of Eligible Facilities. Attached hereto as Exhibit "D" is a schedule of the building improvements, equipment, machinery and other improvements that are part of the Eligible Facilities. Lessee agrees to continuously operate a business on the Property for the Abatement Period as provided for in Section 5.03 of this Agreement.

2.04 Lessee and Lessor covenant and agree to begin construction of the Improvements pursuant to this Agreement in the Zone on or after the execution of this Agreement by all parties hereto and project to complete construction no later than September 30, 2012.

### **ARTICLE III**

#### **PROPERTY SUBJECT TO TAX ABATEMENT**

#### **RATE OF TAX ABATEMENT**

#### **TERM OF TAX ABATEMENT AND RELATED PROVISIONS**

3.01 A tax abatement, as described herein, shall be granted in each year of the Abatement Period on all newly created value on the Property to the extent that such value is reflected on the tax rolls of the Hidalgo County Appraisal District (the "Tax Rolls") in each such year, but not including any increase in valuation due to reclassification or change in use of the Property or, in accordance with Section 1.02 above, any other increase other than as a result of direct investment by Lessor or Lessee in the Property.

3.02 The applicable tax abatement percentage under this Agreement shall be in accordance with the Guidelines and Criteria and shall be fixed by the parties through an addendum to this Agreement after evidence of the Capital Cost of the Improvements constructed or installed by Lessor or Lessee is certified by Lessor or Lessee, as the case may be, and approved by the County. The Lessor tax abatement shall be the applicable percentage in accordance with the Guidelines and Criteria based on the Capital Cost of the project and applicable only to the newly

created value of the real property at the eligible facility as determined by the Hidalgo County Appraisal District and the Guidelines and Criteria. The Lessee's tax abatement will be the applicable percentage based on Job creation and will be applied on the newly created value of personal property owned by the Lessee at the Eligible Facilities as may be determined by the Hidalgo County Appraisal District.

3.03 In accordance with Section IX.C. of the Guidelines and Criteria, neither Lessor nor Lessee shall have the right, without the consent of the County, to assign all or part of its interest in the Property and maintain the tax abatement hereunder.

3.04 The abatement of ad valorem taxes shall be for a period five (5) years that shall (a) commence on the commencement of the first ad valorem tax year after each of the following events have occurred: (i) the Project has been completed, (ii) the Lessee or Lessor has provided documentation confirming the Capital Cost of the Project and the number of Jobs created, and (iii) the Capital Cost or Jobs created meets or exceeds the minimum amount required by the Guidelines and Criteria for granting tax abatements and (b) end on the earlier of (i) five (5) years following such commencement, (ii) December 31, 2017, (iii) the end of the ad valorem tax year in which the expiration of the Lease (as such Lease may be extended by Lessor and Lessee provided such extension occurs before the expiration of such Lease and that Lessor and Lessee are not in default in the performance of this Agreement at the time of such extension) occurs, (iv) the occurrence of any event which would terminate this Agreement by operation of law, (v) Lessor or Lessee's breach of any provision of this Agreement, which breach is not cured within the Cure Period (as defined below) or (v) Lessor's or Lessee's failure to comply with any provision of the Guidelines and Criteria as discussed in Article V of this Agreement

3.05 The percentage of value to be abated for the Lessor is dependent upon the Capital Cost involved in the Project and for the Lessee on the number of full-time Jobs created as set forth below.

<b>Percent of Increase in Property Value To be Abated</b>	<b>Capital Cost of Project</b>	<b>Number of Jobs Created</b>
0%	Less than \$1,500,001	0 – 25
25%	\$1,500,001 up to and including \$5,000,000	26 – 50
50%	Over \$5,000,000 up to and including \$10,000,000	51 – 100
80%	Over \$10,000,000	101 or more

As provided for in Section III.G.(5) and (6) of the Guidelines and Criteria, tax abatement shall be subject to increases or decreases in subsequent tax years based on the level of jobs added or lost

and additional eligible capital investments. Therefore, Lessor and Lessee shall certify annually to the County the level of Jobs added or lost by providing a current payroll report listing all Jobs. Likewise, if additional capital investments are made, that increase the Capital Cost of the Project and are eligible under the Guidelines and Criteria, such cost may be added to the original Capital Cost to determine a qualifying tax abatement increase in accordance with the Guidelines and Criteria. The estimated value of the abatement, based on the Lessor's and Lessee's good faith estimate of how the Appraisal District of Hidalgo County will value the eligible improvements, including the base year value, over the term of the Abatement Period is \$36,875. County may cancel or modify this Agreement if Lessor or Lessee fails to comply with the terms and provisions of this Agreement.

3.06 Lessor and Lessee shall have the right to protest and contest any and all appraisals or assessments of the Property, or of the improvements thereon, and the tax abatement provided for herein for such Property shall be applied to the amount of taxes finally determined, as a result of such protest or contest, to be due for such Property.

#### **ARTICLE IV**

##### **FILING OF PLANS, CERTIFICATION OF COSTS, COUNTY ACCESS TO PREMISES AND USE OF PREMISES AND IMPROVEMENTS**

4.01 Construction plans for the Improvements shall be filed with the County within thirty (30) days from the date of approval of this Agreement by County. The plans as filed shall be deemed to be incorporated herein by reference and made a part hereof for all purposes, and the Improvements shall be completed in substantial accordance with said plans. The plans filed herein may be amended and/or modified as Lessee elects; provided all modifications are in compliance with all applicable codes, rules and ordinances, and are not otherwise contrary to this Agreement.

4.02 Lessee shall file the "as built" construction plans with the County, and the Lessee shall provide to the County an architect's certified statement detailing all Improvements upon completion of construction of the Project, excluding all personal property and related expenditures made to the construction of the Improvements. At the time of filing of such construction plans, the Lessee shall also provide reports as required by Section IX B of the Guidelines and Criteria. On or before January 31 or each year, Lessee shall provide reports supporting job creation as required by Section IX.(B) of the Guidelines and Criteria. The certification and newly created payroll report shall be the basis for determining the percentage of abatement, subject to the provisions of this Agreement and of the Guidelines and Criteria, including without limitation the recapture and administration provisions thereof. Lessee shall

provide the County within 30 days of the date hereof and thereafter, on an annual basis, a detailed list of the eligible personal property and the assessed value for each item.

4.03 The parties to this Agreement acknowledge that the description of the Property attached hereto as Exhibit "C" is the initial description of the building on the Property on which the Improvements are to be constructed.

4.04 Lessee agrees to supply audited reports to the County and the Appraisal District of Hidalgo County to establish the Capital Cost of Improvements constructed pursuant to this Agreement and/or the Jobs created.

4.05 Lessor and Lessee agree to provide County employees and/or designated representatives of the County access to the Facility (as defined in the Guidelines and Criteria) during the term of the abatement to inspect the Facility to determine if the terms and conditions of the Agreement are being met. Upon completion of construction, the County has the right to annually evaluate the Facility receiving abatement to ensure compliance with the Agreement.

## **ARTICLE V**

### **BREACH**

5.01 In the event Lessee fails to commence construction of the Project in the Zone on or before September 1, 2012, this Agreement shall terminate effective as of the original date of this Agreement and the County shall be entitled to recapture and collect payment of all ad valorem taxes that it would have theretofore been entitled to except for this Agreement, by any and all means allowable by law, and as provided herein, less any ad valorem taxes actually paid by Lessor or Lessee to County under this Agreement.

5.02 If Lessor or Lessee uses any portion of the Property for any non-qualified use, such as for residential purposes, as further defined in the Guidelines and Criteria, then the abatement granted for the portion of the Property being used for such non-qualified use shall automatically be deleted from the Property subject to this Agreement, effective January 1 of the calendar year in which the non-qualified purpose begins.

5.03 In the event the Project is completed and begins operation, and Lessor or Lessee

(i) voluntarily ceases to produce a product or service at the Facility, or

(ii) uses the Project for any non-qualifying purpose,

for a period greater than 180 days in any calendar year of the Abatement Period, this Agreement shall terminate and so shall the abatement of the taxes for the Abatement Period. Such abated taxes shall be recaptured in accordance with Section VIII of the Guidelines and Criteria. The

taxes otherwise abated for such calendar year(s) shall be paid to the County within sixty (60) days from the date of termination. The Agreement shall not terminate if changes are only made to the Property pursuant to Section 4.03.

5.04 Should the County determine that Lessor or Lessee is in default according to the terms and conditions of this Agreement or the Guidelines and Criteria, the County shall notify the appropriate party(s) in writing via certified or registered mail to the following address:

If to the Lessee:                      Michael Salmon, General Manager  
Cinch Connectors, Inc.  
1700 Finley Road  
Lombard, IL 60148

If to the Lessor:                      Ridge CBF McAllen II LLC  
8430 W. Bryn Mawr Ave, Ste 400  
Chicago, IL 60631-3407

or to such other address, or to the attention of such person, as the Lessee or the Lessor, as the case may be, may, from time to time, designate in writing. If such default is not cured within thirty (30) days from the date of such notice (the "Cure Period"), then this Agreement may be terminated at the option of Commissioners Court.

5.05 In the event that the Lessor or Lessee (a) allows its ad valorem taxes owed the County to become delinquent and fails to timely and properly follow the legal procedures for their protest and/or contest; or (b) violates any of the terms and conditions of this Agreement and fails to cure such during the Cure Period, this Agreement may be terminated and all taxes previously abated to the Lessor or Lessee in that tax year by virtue of the Agreement will be recaptured and paid to the County within thirty (30) days of the termination.

5.06 Unless otherwise provided herein, in the event that the Lessor or Lessee, during the Abatement Period, decides to relocate the Project to a location outside of the Zone, or fails to operate the Project for reasons other than those in Section 5.03, or in any other manner breaches this Agreement, the County by an order adopted by Commissioners Court shall have the right to recapture a percentage of the total taxes previously abated in accordance with the Recapture Schedule in Section VIII of the Guidelines and Criteria.

5.07 The Recapture Schedule provided in Section VIII of the Guidelines and Criteria shall apply to the Lessee and the Lessor upon any such occasion of breach.

## **ARTICLE VI**

### **SALE, ASSIGNMENT OR LEASE OF PROPERTY**

6.01 It is contemplated by the parties hereto that the Lessee's purpose for making the Improvements set forth in Article II is primarily for the creation and operation of a manufacturing facility to machine and produce electrical connector components.

6.02 The tax abatement provided herein shall vest in the Lessor and Lessee, and neither Lessor nor Lessee may assign any benefit under this Agreement without the prior written consent of the County, as provided in the Guidelines and Criteria.

## **ARTICLE VII**

### **COMMISSIONERS COURT AUTHORIZATION**

7.01 This Agreement was authorized by Order of the Commissioners Court dated the 10th day of July, 2012, authorizing the County Judge to execute this Agreement on behalf of the County.

## **ARTICLE VIII**

### **SEVERABILITY**

8.01 In the event any section, subsection, paragraph, subparagraph, sentence, phrase or word herein is held invalid, illegal, or unenforceable, 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, subparagraph, sentence, phrase and word. In such event there shall be substituted for such deleted provision as similar in terms and in effect to such deleted provision as may be valid, legal and enforceable.

## **ARTICLE IX**

### **APPLICABLE LAW**

9.01 This Agreement shall be construed under the laws of the State of Texas and is performable in Hidalgo County, Texas.

[SIGNATURE PAGE FOLLOWS]

EXECUTED IN DUPLICATE ORIGINALS and made effective as of this the 10th day of July, 2012.

**HIDALGO COUNTY, TEXAS**

ATTEST:

By: \_\_\_\_\_  
Name: Ramon Garcia, Jr.  
Title: Hidalgo County Judge

\_\_\_\_\_  
Arturo Guajardo, Jr.  
County Clerk

APPROVED AS TO FORM:  
ATLAS, HALL & RODRIGUEZ, L.L.P.

By: \_\_\_\_\_  
Stephen L. Crain

**CINCH CONNECTORS, INC.**

By: \_\_\_\_\_  
Name: Michael Salmon  
Title: General Manager

**RIDGE CBF MCALLEN II LLC**

**By: RIDGE CBF TEXAS I, LLC**

**By: CBF I, LLC**

**By: RIDGE PROPERTY TRUST  
II, LLC**

**By: RIDGE PROPERTY  
TRUST II**

By: \_\_\_\_\_  
Name: James G. Martell  
Title: Chairman and CEO

**EXHIBIT A**

**TAX ABATEMENT GUIDELINES AND CRITERIA**

**Exhibit B**

**Legal Description**

SHARYLAND BUSINESS PARK LOT 15

**Exhibit C**  
**Preliminary Site Plan**

**Exhibit D**

**Schedule of Building, Improvements, and Personal Property for the Eligible Facility**

**Exhibit E**  
**Enterprise Zone**

**Exhibit F**

**City of McAllen Economic Development Agreement**